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AUTHOR Germanis, Peter; Bavier, Richard
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ABSTRACT

This report provides an overview of the current welfare system. The number and size of federal public assistance programs have increased during the past 25 years, with particular growth in noncash benefit programs, which now constitute about three-quarters of all means-tested assistance. From mid-1983 to mid-1984, more than 52.5 million Americans benefited from federal assistance. The total funding for the 59 major programs reached $132 billion in fiscal year 1985. This effort reduced the poverty rate by 42 percent, from 12.8 to 7.4 percent. But the effect upon poverty by the welfare system was not achieved efficiently. Before any means-tested benefits were counted, it would have taken $51.6 billion to bring the general poverty rate down to zero. Weaknesses within the centralized welfare system that contribute significantly to the persistence of poverty in America are identified. On top of an order of self-reliance, family support, community charity, and state and local public assistance has grown a federal component of great size. The federal component has introduced disorder, a wide array of rules and purposes without overall coordination, and a general practice of making programs blind to the effects of other non-cash programs. As a result the United States spends more than it would take to eliminate poverty entirely, and yet a residual poverty gap of $19.1 billion remains. Data are illustrated on 23 tables and figures. Notes are included. An appendix documents public assistance spending from 1960 to 1985. (BJV)

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UP FROM DEPENDENCY

A New National Public Assistance Strategy

SUPPLEMENT 1
THE NATIONAL PUBLIC ASSISTANCE SYSTEM

Volume 1—An Overview of the Current System

Executive Office of the President
Office of Policy Development

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THE NATIONAL PUBLIC ASSISTANCE SYSTEM

Volume 1 - An Overview of the Current System

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What is the Public Assistance System?

Americans prize self-reliance. They are also generous. They know that age or misfortune might at some time force even self-reliant people to look to others for help. In recent decades Americans have channelled more and more of this generous spirit into a huge federal public assistance system. The purpose of this report is to describe what this system is and how it works.

Aid to the needy was not in the hands of the federal government during most of this country's history. Families cared for their own when they could, and when they couldn't religious groups and other private charities often stepped in. Local communities or state governments often helped out when private resources were insufficient. Only when the Great Depression of the 1930s strained private and local and state public resources did support for federal assistance grow.

Federal funding for programs introduced in the Social Security Act of 1935 was designed to supplement, not replace, other sources of assistance. Federal retirement and unemployment programs were established for those times when age or unemployment left families unable to provide for themselves. Affirming the national ethos of self-reliance, these programs took the form of what are called social insurance programs, to which self-supporting individuals would contribute, to secure themselves against the time when they might be in need.

Even the non-contributory public assistance programs in the 1935 Social Security Act affirmed this same basic order of aid. The Aid to Dependent Children program, established in Title IV of the Social Security Act, provided federal payments to match state payments for children deprived of parental support. The determination of which children needed such public assistance, and how much they needed, was based upon a measure of the family's own resources and any assistance received from other sources, including social insurance. Public aid was supposed to step in only when self-support and private aid ended.

Since the passage of the Social Security Act and especially in the past 25 years, however, the order of responsibility for helping those in need has shifted to the federal government. The federal share of benefits under the original Social Security Act programs has increased, as have the number and size of programs fully funded by federal dollars and governed by federal rules. The total number of low income assistance programs federally funded in whole or in part has grown from a handful in 1935 to some 100 today, 59 of which are major means-tested programs. (1)

More important than these numbers, however, is the fact that the dozens of programs operate as a system, although not a very efficient or effective one. They often serve the same people, and often with similar purposes. They interact without taking into account how other programs are working. Each was created in

TABLE 1

LOW INCOME ASSISTANCE PROGRAMS

		FY 1985 FEDERAL AND REQUIRED STATE SPENDING (IN MILLIONS)
59 MAJOR FEDERAL PUBLIC ASSISTANCE PROGRAMS		$132,177
CASH PROGRAMS		$32,335
Aid to Families with Dependent Children	$14,758	
Supplemental Security Income	10,889	
Pensions for War-time Veterans	3,842	
Earned Income Tax Credit	1,100	
Foster Care	929	
Refugee Resettlement Program	436	
Emergency Assistance to Needy Families	154	
Veterans Parent's Compensation (DIC)	89	
Adoption Assistance	71	
Indian General Assistance	67	
FOOD PROGRAMS		$20,407
Food Stamps	$12,533	
National School Lunch Program	3,391	
Special Supplemental Feeding Program for Women, Infants and Children	1,495	
Temporary Emergency Food Assistance Program	973	
Nutrition Assistance Program for Puerto Rico	825	
Child Care Food Program	418	
School Breakfast Program	391	
Food Donations to Charitable Institutions	172	
Summer Food Service Program for Children	110	
Commodity Supplemental Food Program	43	
Needy Family Program	42	
Special Milk Program	16	
HOUSING PROGRAMS		$13,707
Housing Assistance Payments (Section 8 and Rent Supplements)	$6,884	
Public and Indian Housing	3,409	
Low Income Home Energy Assistance Program	2,139	
Interest Reduction Program (Section 236)	619	
Homeownership Assistance Program (Section 235)	268	
Weatherization Assistance	192	
Rural Rental Assistance Program (Section 521)	105	

HEALTH PROGRAMS		$48,632
Medicaid	$41,216	
Veterans Health Care (non service-connected)	5,393	
Indian Health Service	813	
Maternal and Child Health Services Block Grant	783	
Community Health Centers	383	
Migrant Health Centers	44	
SERVICE PROGRAMS		$4,890
Social Services Block Grant	$2,725	
Head Start	1,344	
Community Services Block Grant	366	
Legal Aid (Legal Services Corporation)	313	
Family Planning Services	143	
EMPLOYMENT PROGRAMS		$3,952
Training Services for the Disadvantaged (JTPA II-A)	$1,710	
Summer Youth Employment Program (JTPA II-B)	776	
Job Corps (JTPA IV)	593	
Senior Community Service Employment Program (Older Americans Act)	356	
Work Incentive Program and Demonstrations	310	
Native American Employment and Training Program (JTPA IV)	65	
Seasonal Farmworkers Program (JTPA IV)	63	
Foster Grandparent Program	56	
Senior Companion Program	23	
EDUCATION PROGRAMS		$8,254
Pell Grants	$3,788	
Grants to Local Education Agencies - Educationally Deprived Children	3,200	
College Work-Study	554	
Supplemental Education Opportunity Grants	396	
State Student Incentive Grants	152	
Upward Bound	74	
Special Services for Disadvantaged Students	70	
Talent Search	21	

OTHER LOW INCOME GRANT PROGRAMS	$8,438
Community Development Block Grants	$3,817
Vocational Rehabilitation Services	1,366
Vocational Education Grants to States	692
Child Support Enforcement	572
Urban Development Action Grants	497
Title III - Nutrition Program (Older Americans Act)	400
Title III - Supportive Services (Older Americans Act)	265
Migrant Education Program	257
Public Works and Economic Development Facilities	150
Higher Education Aid for Institutional Development	148
Consumer and Homemaker Education	32
Higher Education Grants for Indians	27
Cuban and Haitian Resettlement	26
Health Careers Opportunity Program	24
Adolescent Family Life Demonstration	21
VISTA	17
Indian Social Services	15
Employment Services and Job Training	15
Rental Housing Rehabilitation	14
Rural Self-help Technical Assistance	13
Rural Housing Grants	13
Adult Programs (OAA, AB, APTD)	13
Graduate and Professional Fellowships	12
Title VI Grants to Tribes for Supportive & Nutritional Services	8
Follow Through	7
EFN Scholarships	7
Migrant High School Equivalency Program	6
Black Lung Clinics	3
College Assistance Migrant Program	1
Federal Employment for Disadvantaged Youth - Part Time	-
Federal Employment for Disadvantaged Youth - Summer	-

LOW INCOME LOAN PROGRAMS		$12,059
Guaranteed Student Loans	$7,900	
Very Low and Low Income Housing Loans	2,300	
Rural Rental Housing Loans	900	
Rural Housing Site Loans	218	
Mortgage Insurance-Homes for Low and Moderate Income Families	213	
National Defense/Direct Student Loans	192	
Loans for Small Businesses	116	
Community Facilities Loans	115	
Section 312 Rehabilitation Loan Program	75	
Farm Labor Housing Loans and Grants	20	
Rural Development Loan Fund	10	

response to the perception of some specific need, but together they are carried out under a confusing array of rules, purposes, and agencies.

Even determining the number of public assistance programs and their funding is no simple matter. Recent efforts by the General Accounting Office and the Congressional Research Service compiled differing lists of programs aimed at helping the poor. (2) This report concentrates on 59 means-tested federal public assistance programs. In FY 1985, these 59 major means-tested programs totaled about $132 billion in federal funds and state matching funds. Another dozen means-tested programs spent less than $20 million each. More than $8 billion was also spent by programs which were in some way targeted to low income areas or groups, but do not ordinarily require individual families and persons to establish income eligibility. Eleven programs made $12 billion in loans to low income people. Table 1 lists the programs in each of these categories. In addition, more than another $9 billion not involving matching federal funds is spent by states for low income assistance. (3)

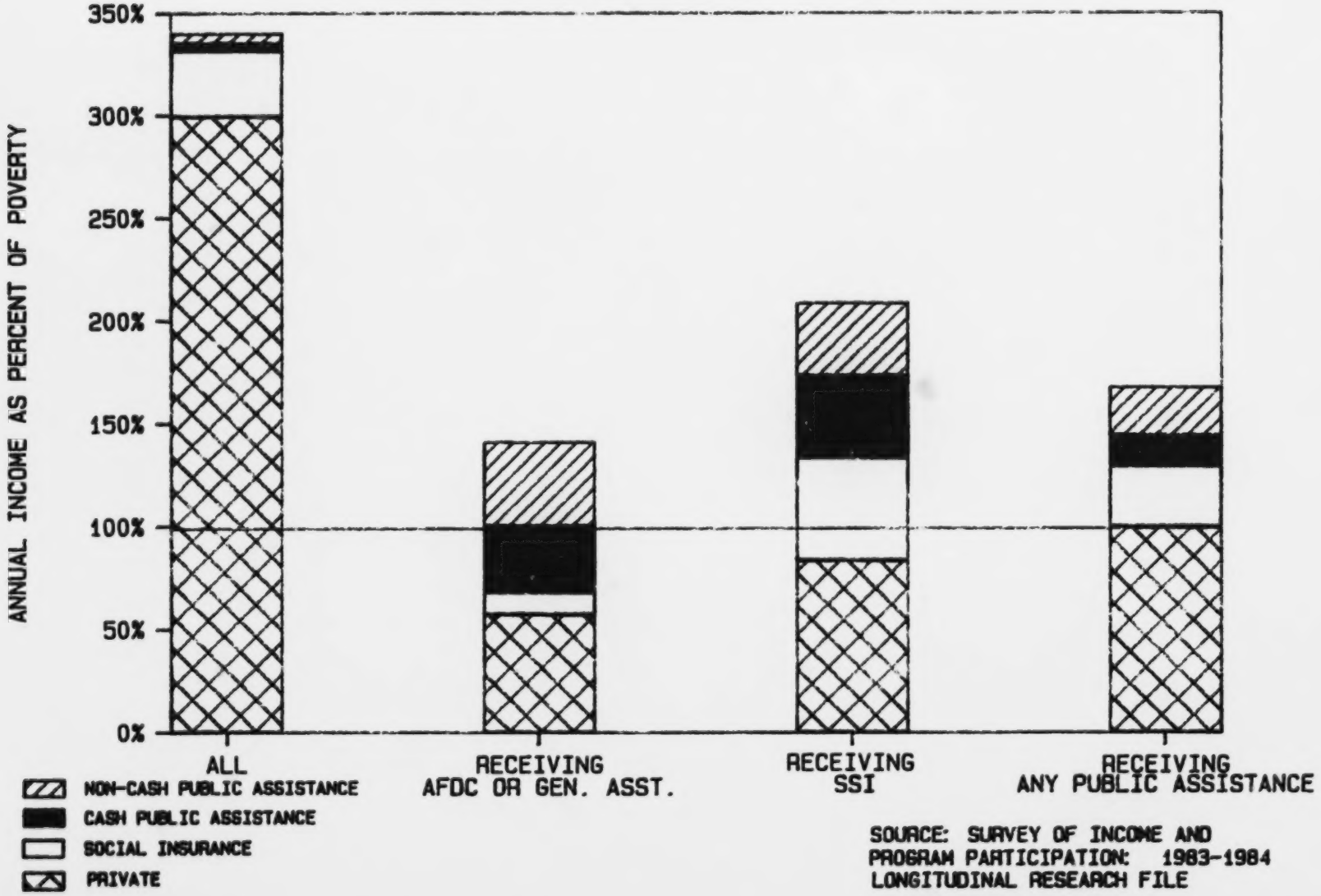
Before we consider this system in detail, however, it's important to keep a couple of points in mind. The first is that our federal social insurance programs -- mainly Unemployment Compensation, Medicare, and Social Security -- play a far larger role than welfare does in reducing poverty, especially among the disabled and elderly. This is clear from the results of the Longitudinal Research File of the Survey of Income and Program Participation, or SIPP, for the 1983-4 year. (4) SIPP found that about $54 billion in benefits from the social insurance retirement, health, unemployment, and disability programs went to close the "poverty gap," that is, to bring people's incomes up to the poverty levels. (5) At the same time, only $32 billion in benefits from ten major means-tested programs captured in SIPP went to close this gap. (6)

A second and perhaps more surprising point is that individuals and families with members who receive public assistance have average total income above the official poverty thresholds. (7) Figure 1 illustrates the point using an annual time frame; Figure 2 shows the same data expressed in average dollars instead of as a percent of poverty. Since a family's circumstances can change greatly over the course of a year, Figures 3 and 4 show the same thing based on data for an average month.

The bars on the far left show the sources and average amounts of income for the population as a whole. As would be expected, most of the income comes from private sources (87.8 percent), not from government benefits. Most of that private income is from earnings (75.5 percent of all income). Social insurance benefits make up another 9.5 percent of all income. Small amounts of public assistance income appear at the top of the bars showing the average for all Americans. Of course not everyone receives

FIGURE 1

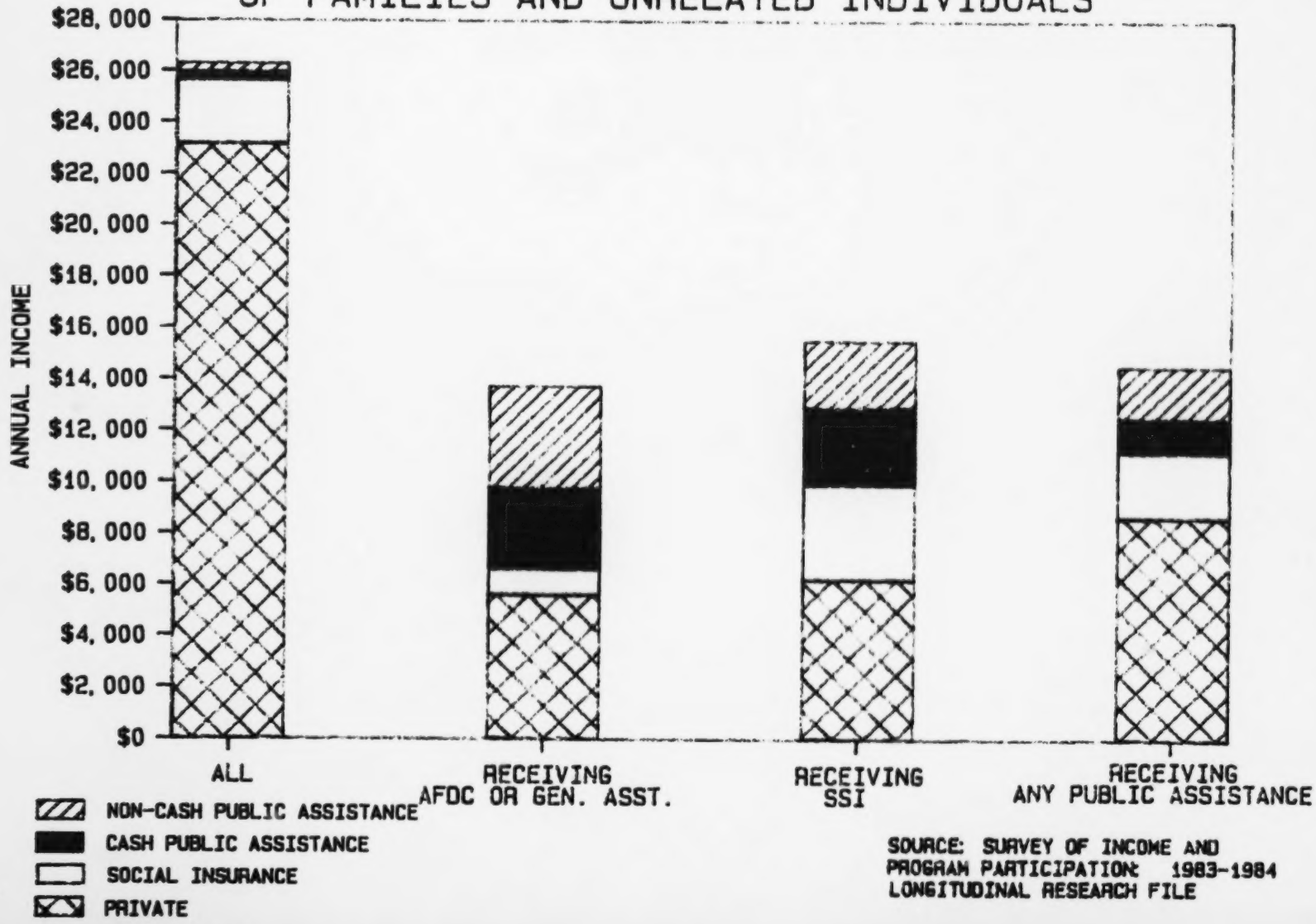
INCOME SOURCES OF FAMILIES AND UNRELATED INDIVIDUALS



SOURCE: SURVEY OF INCOME AND PROGRAM PARTICIPATION: 1983-1984 LONGITUDINAL RESEARCH FILE

FIGURE 2

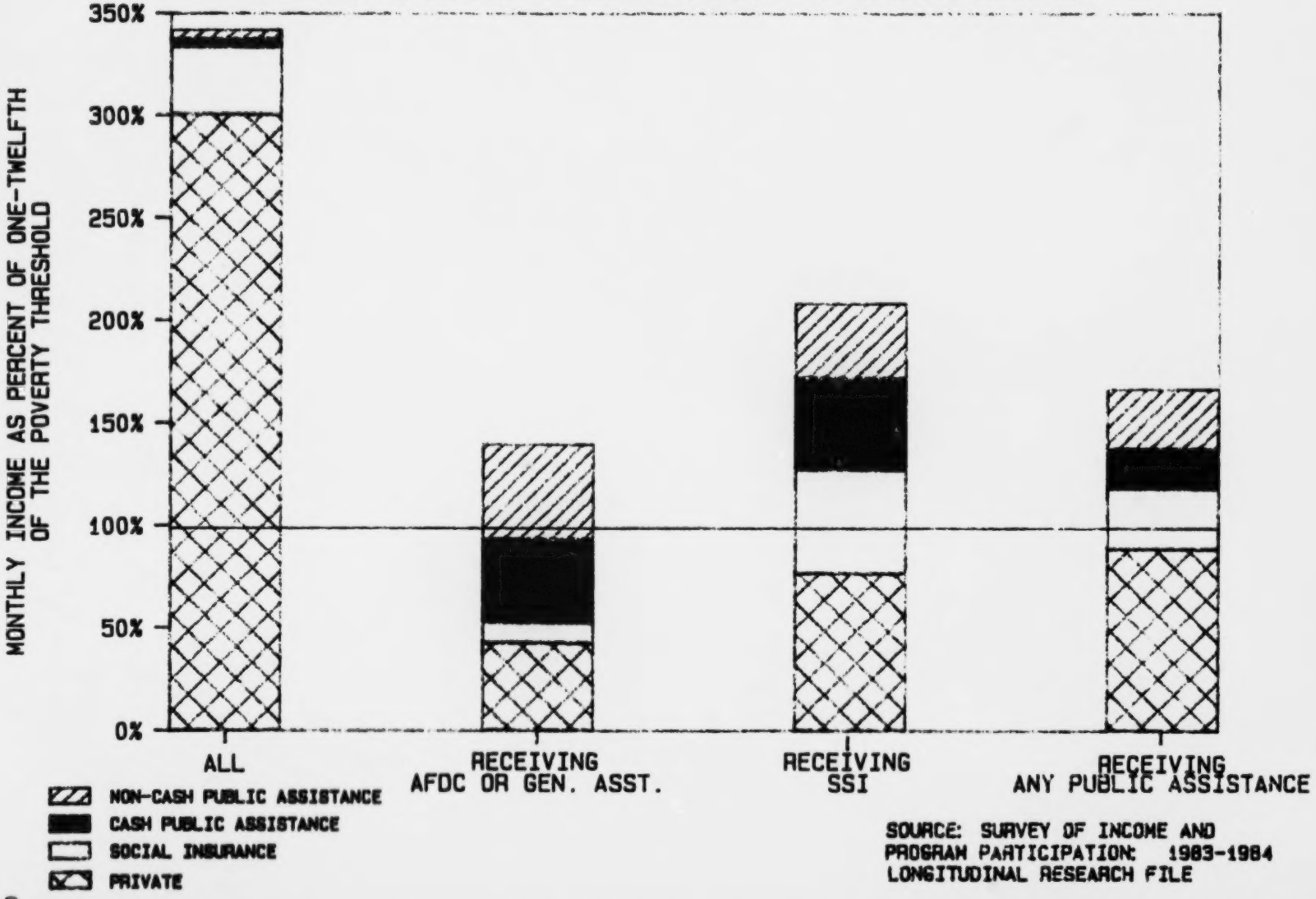
INCOME SOURCES OF FAMILIES AND UNRELATED INDIVIDUALS



SOURCE: SURVEY OF INCOME AND PROGRAM PARTICIPATION 1983-1984 LONGITUDINAL RESEARCH FILE

FIGURE 3

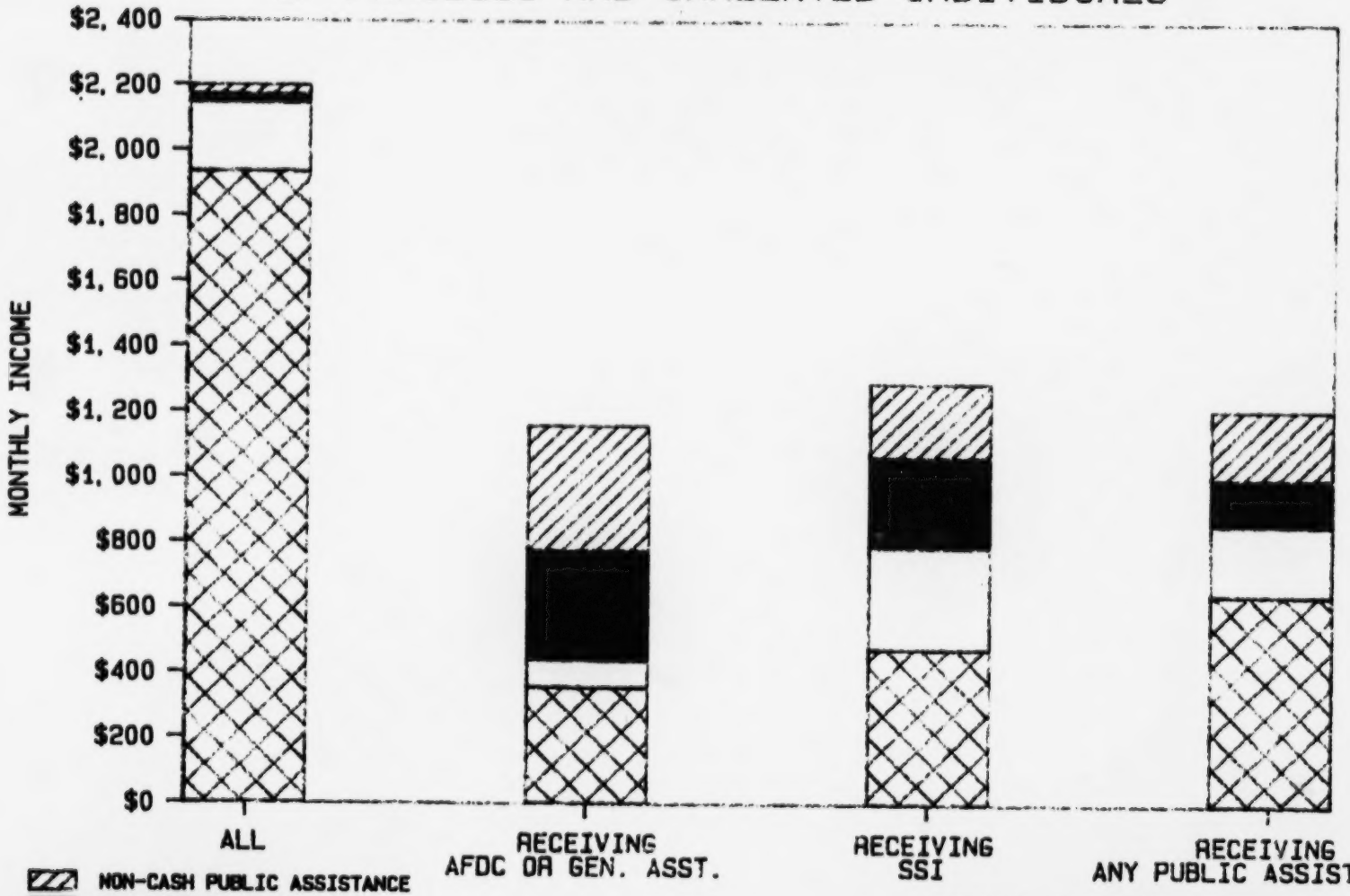
INCOME SOURCES OF FAMILIES AND UNRELATED INDIVIDUALS



SOURCE: SURVEY OF INCOME AND PROGRAM PARTICIPATION: 1983-1984 LONGITUDINAL RESEARCH FILE

FIGURE 4

INCOME SOURCES
OF FAMILIES AND UNRELATED INDIVIDUALS



SOURCE: SURVEY OF INCOME AND PROGRAM PARTICIPATION: 1983-1984 LONGITUDINAL RESEARCH FILE

public assistance. Rather, the bars show that about 2.5 percent of all the income of all Americans is from public assistance.

Counting just their welfare checks, individuals and families with members receiving benefits from the two largest federal cash welfare programs, Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI), have average incomes well under poverty. But, on average, cash welfare families receive non-cash public assistance which amounts to more than their welfare check. The non-cash public assistance benefits reflected on the chart include the value of Food Stamps, housing subsidies, free or reduced-price school meals, energy assistance and Medicaid. The value of Medicaid is represented as if each covered family received the value of a medical insurance premium.

Further, families with members receiving welfare have average income from private sources and social insurance which is significant itself. As a result, the average income of individuals and families with members receiving cash welfare is not below poverty, or even very close to poverty. Rather, the average income for families with members receiving AFDC or state-funded General Assistance (GA) is about 140 percent of poverty, whether annual or monthly income is considered. (8) (The experience of individual families can differ widely from the average, especially those not living with other family members who have income. But even the median total income is about 118 percent of poverty annually and is 117 percent for an average month.) (9) For individuals and families with members receiving SSI, average income is more than twice poverty. (The median is 170 percent of poverty, both considered annually and for an average month.) This picture reminds us that if we are looking just at cash welfare, we are seeing only part of the picture. And the frequency with which other family members with earnings share homes with public assistance recipients also shows us that families helping their own is still very much part of our national ethos.

The mean annual pre-welfare income for individuals and families with members receiving any means-tested benefits is about 130 percent of poverty (the median is 111 percent). According to SIPP, from mid-1983 to mid-1984, about 52.5 million Americans benefited individually, or were members of families who benefited, from one or more of the 10 means-tested programs captured by SIPP. This includes everything from cash welfare to free or reduced-price school lunches. Even this underestimates how many benefited, since SIPP includes benefits from only nine of the major means-tested federal programs. (The tenth SIPP program is the state-funded General Assistance program.) Some of the means-tested programs not captured by SIPP, such as the $3.8 billion Pell Grant program, probably reach a largely different population.

During this same period, 29.1 million people were poor before any of the public assistance they received was counted. (10) About

23.1 million of these (79 percent) were among the 52.5 million receiving some public assistance. That means that a little more than half the people benefiting from public assistance had annual pre-welfare incomes above the official poverty levels. Similarly, during an average month, 51.2 percent of all persons benefiting from public assistance had pre-welfare incomes below one-twelfth of the poverty levels and 48.8 percent did not.

The remainder of this report describes the 59 major means-tested programs, their growth over the years, and their impact on the income of recipients. The data show that public assistance is neither very efficient in targeting the poor nor very effective in lifting them out of poverty. The report then explores some of the reasons for this inefficiency, focusing on the rules and operation of the 59 major programs, and especially on their interaction with one another. (11) What follows touches upon many difficult issues, such as the relationships between welfare and family formation or welfare and work, which even a thorough description of the current public assistance system would not resolve. What is known from research about the effects of the system upon the behavior of recipients is discussed in another volume of this report.

Overview of the Public Assistance System

Federal and required state spending on the 59 major welfare programs reached $132 billion in FY 1985. (12) Ten programs provide cash assistance. Their combined spending was $32.3 billion, with four programs spending more than $1 billion. Another 12 are food programs, with total spending of $20.4 billion; three spent more than $1 billion, led by the Food Stamp Program with spending of more than $12.5 billion. Nine programs provided housing assistance, with spending of $13.7 billion and three larger than $1 billion each. Health programs, led by Medicaid's $41.2 billion, spent $48.6 billion. Service programs - including social, community, family planning and legal services, and Head Start - totaled $4.9 billion. Both the Social Services Block Grant and Head Start spent more than $1 billion each. Nine employment and training programs totaled $4.0 billion, with one above $1 billion. Eight education programs had total spending of $8.3 billion; two were over $1 billion.

Notwithstanding these totals, it is difficult to determine just how much is spent on any one category, such as food or housing. For one thing, a single program may provide assistance that can be classified in more than one area. Take the cash assistance programs. While the benefit is cash, some of the money is clearly intended to buy food and shelter. As a rough measure, Food Stamp benefit calculations assume that 30 percent of "countable" income is available to buy food. (13) If that rule of thumb is applied to cash assistance, about $10 billion of cash assistance may be considered available to buy food. (14) That makes total food spending about $30 billion.

A similar issue faces anyone trying to figure a total for housing assistance. Cash programs clearly provide assistance for shelter. If 30 percent of a household's countable income is assumed to be available for shelter costs, as it is under the Section 8 Housing Assistance Payments Program, the amount of cash assistance for shelter is probably some $10 billion.

There are other examples of overlap. Although there are 12 main food programs, several others provide food and nutrition as part of a range of benefits. For example, both the Community Services Block Grant and the Emergency Food and Shelter Program provide significant levels of food assistance through food banks and shelters for the homeless. Head Start used about six percent of its funding for nutrition in FY 1985, and Job Corps provides for all of the food needs of its resident participants.

On the other hand, some households qualify for extra Food Stamps because of a deduction for high shelter costs; this is arguably housing assistance misclassified as food aid. In short, the classification of programs into such general functional areas as cash, food, housing, health, services, employment, and education is helpful for some purposes, but it presents only a necessarily oversimplified picture.

Growth in Programs and Funding

To put these current programs into perspective, it helps to understand a little of the history of how they developed and expanded. Our main focus is on legislative and regulatory changes responsible for the growth of public assistance, though economic, demographic, and social changes have also been extremely important.

Before the Social Security Act of 1935, private charities and local governments provided most assistance for the poor. The public assistance was generally limited and restrictive. Constraints were considered necessary to reduce public costs and dependency. State programs sometimes provided assistance to those who did not qualify for local programs, but federal aid was almost nonexistent.

The Great Depression strained the budgets of private charities and of state and local governments, and, as a result, the federal government expanded its role. When the Social Security Act of 1935 was passed, it included both the Social Security and Unemployment Insurance programs, as well as the means-tested joint federal-state programs of Old Age Assistance (OAA), Aid to the Blind (AB), and Aid to Dependent Children (ADC). In 1950, the Aid to the Permanently and Totally Disabled (APTD) program was added. All of the means-tested programs were intended to help those poor who were not expected to work and who had little other means of support -- the aged, disabled, and children.

Although state participation was voluntary, federal matching payments made state enrollment attractive.

The next major expansions of public assistance began during the 1960s and continued into the mid-1970s. New programs were created (notably Medicaid, Food Stamps, SSI, and Section 8 Housing Assistance Payments) and others expanded. In 1960, a dozen programs spent $5.8 billion ($21.1 billion in constant 1985 dollars). By 1985, 59 programs spent $132.2 billion. More people became eligible for benefits and more of those eligible participated, as public awareness of benefits expanded and the stigma associated with receiving public assistance ebbed.

As a rule, the newer programs offered non-cash benefits intended to provide for specific needs. The percent of all assistance distributed in cash fell from 74.6 percent in 1960 to 43 percent in 1970, 27.1 percent in 1980, and 24.5 percent in 1985.

Figures 5 through 7 show spending growth overall, by federal and state shares, and by purpose. All areas grew rapidly, increasing by 525 percent in constant dollars from 1960 through 1985. Although spending in current dollars increased every year, in constant dollars there was a small decline in 1974 and again in 1978, due to high inflation. Legislation in 1981 to target programs to the most needy, and to increase program efficiency, led to a decline in constant dollar spending for 1982, despite a slight nominal increase for that year. Overall, cash assistance programs grew about 105 percent in real terms from 1960 through 1985, while non-cash programs grew about 1,760 percent. Tables showing spending for the 59 major public assistance programs, and their direct predecessors, from 1960 through 1985, are included in an Appendix to this volume.

Current Cash Programs

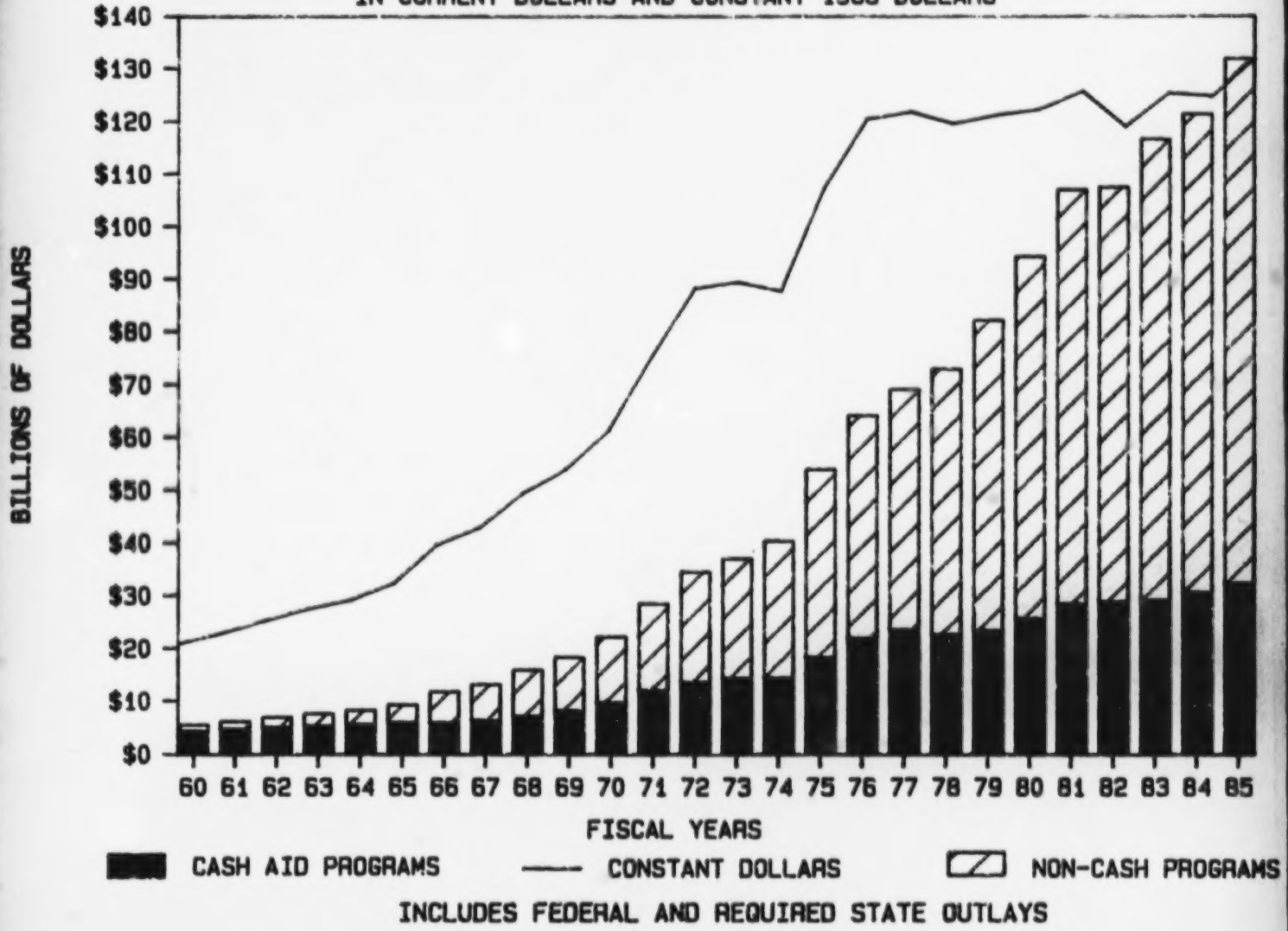
The programs providing cash assistance to recipients are what most people think of as welfare. Generally, the cash benefits are to cover basic needs of all kinds, although, as a rule, recipients of cash assistance also receive more than one kind of non-cash benefit for particular basic needs as well.

* The $15 billion Aid to Families with Dependent Children program provides monthly cash benefits to nearly four million families. The benefits are intended to provide for children deprived of parental support because of death, incapacity, continued absence, or, at state option, the unemployment of the principal family earner.
* The Supplemental Security Income program is the second largest, at $11 billion, providing monthly cash benefits to four million aged, blind, or disabled people.
* Programs based upon AFDC rules provide foster care payments on behalf of 108,000 persons.

FIGURE 5

TOTAL SPENDING FOR PUBLIC ASSISTANCE

IN CURRENT DOLLARS AND CONSTANT 1985 DOLLARS



INCLUDES FEDERAL AND REQUIRED STATE OUTLAYS

FIGURE 6

TOTAL SPENDING FOR PUBLIC ASSISTANCE

FEDERAL AND STATE SHARES IN CONSTANT 1985 DOLLARS

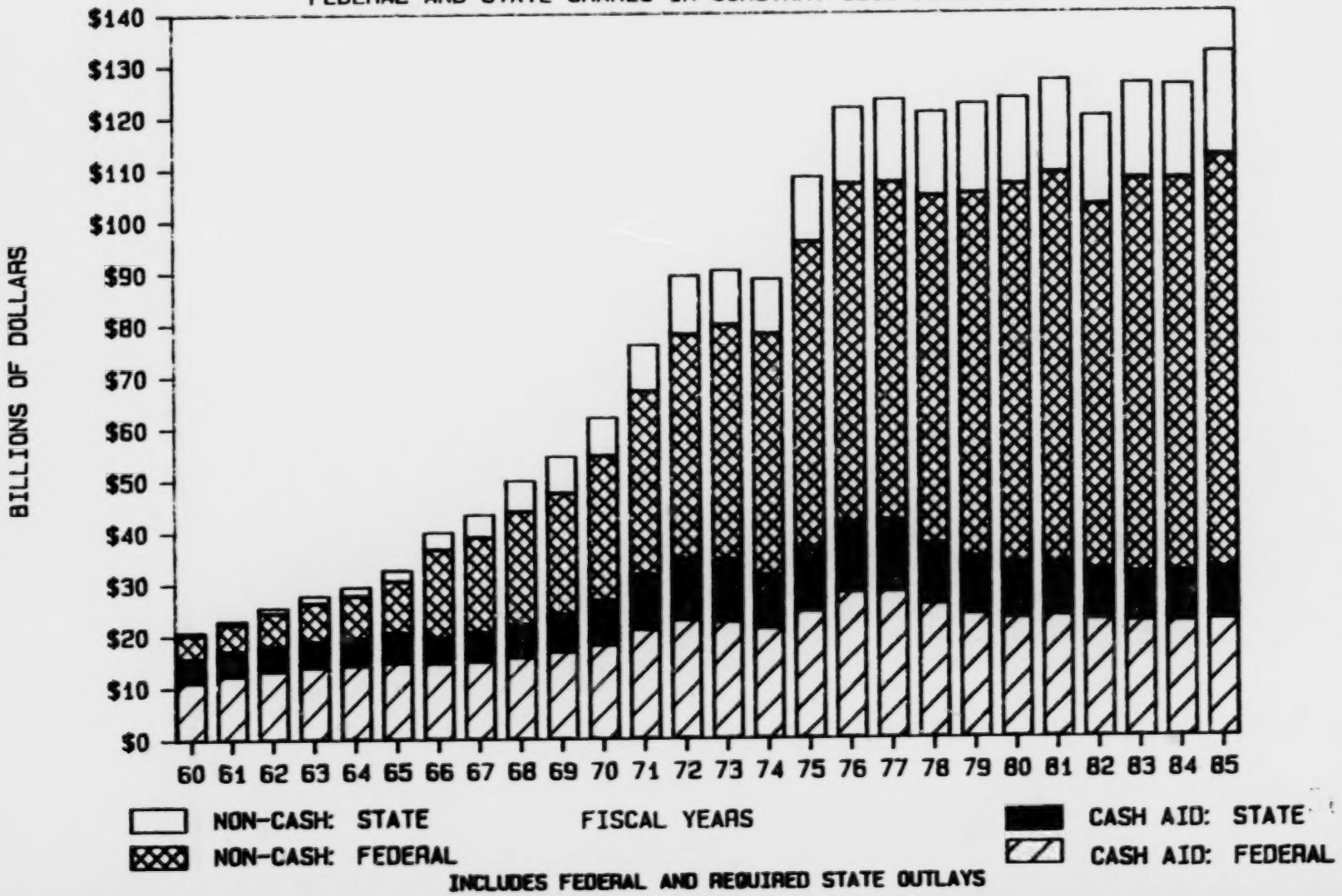
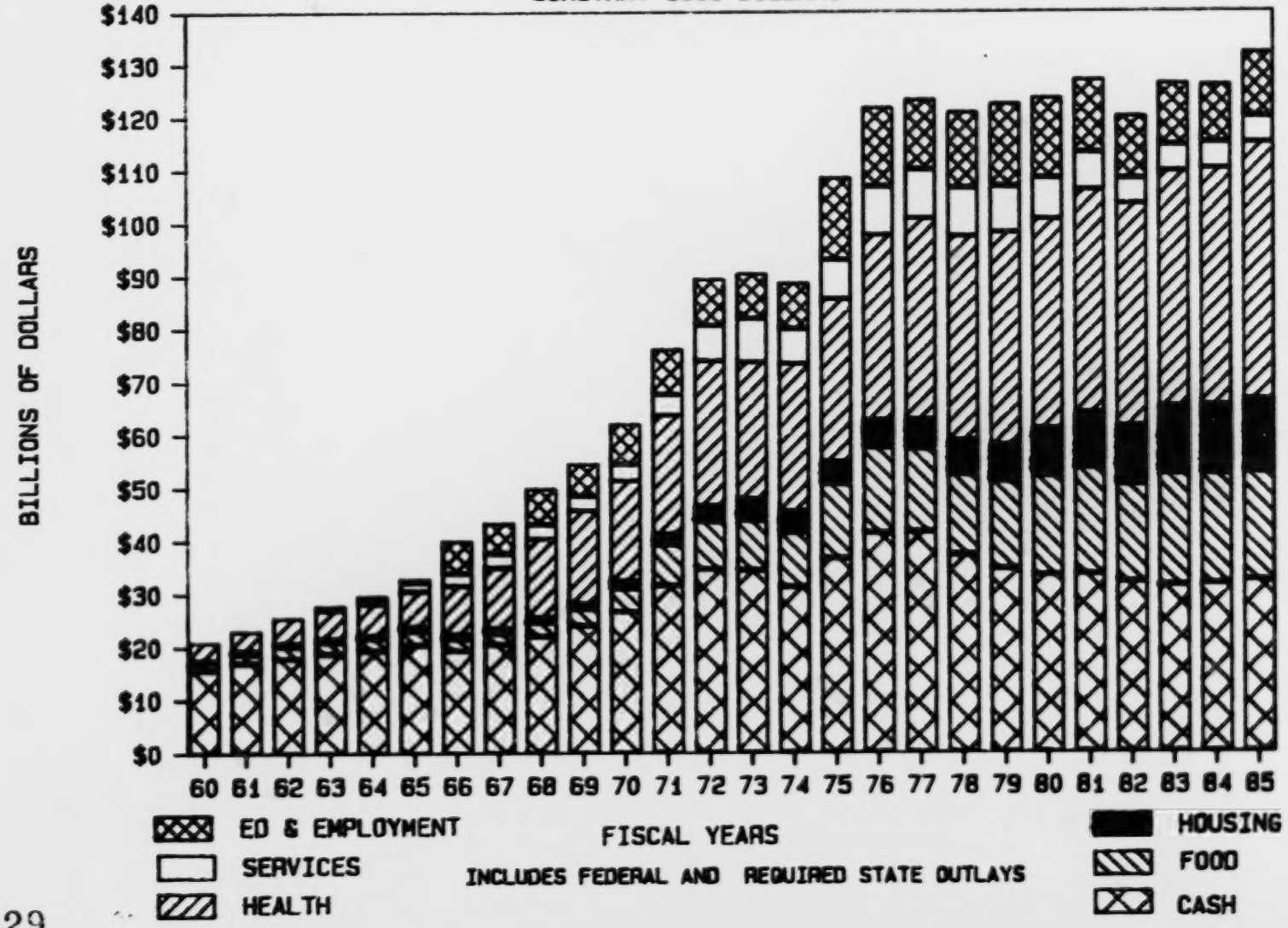


FIGURE 7

TOTAL SPENDING FOR PUBLIC ASSISTANCE BY FUNCTION

CONSTANT 1985 DOLLARS



INCLUDES FEDERAL AND REQUIRED STATE OUTLAYS

17

* Adoption Assistance provides aid on behalf of 16,000 children who, due to age, handicap, membership in a sibling group, or other reasons, might not be adopted without subsidy.
* The Refugee Resettlement Program provides cash and medical services to refugees resettling in America. It serves 370,000 people in an average month, in part by reimbursing states for their share of AFDC and Medicaid payments to refugee families.
* Indian General Assistance provides $67 million in cash aid to Indian families and individuals according to rules similar to those of the AFDC program in states with tribal reservations.
* The Veterans Administration provides checks to needy war-time veterans who are aged or totally disabled from conditions not connected to military service. The VA also provides assistance to needy surviving parents of veterans whose deaths were connected with their military service. The programs provide about $3.9 billion to 1.5 million recipients.
* The Department of the Treasury administers the Earned Income Tax Credit, which provides both credits against tax liability, and, in some cases, direct payments to low income earners with children. While most other cash programs issue monthly checks, the EITC is generally paid annually, although the benefit may be received through an adjustment of the amount withheld from regular paychecks. In 1985, the EITC provided $1.1 billion in direct payments. In 1983, the latest year for which recipient information is available, 4.8 million families received payments.

History of Cash Program Growth

Total spending for cash programs has gone from $4.3 billion in 1960 ($15.8 billion in constant 1985 dollars) to $32.3 billion in 1985, an increase of 105 percent in constant dollars.

Aid to Families with Dependent Children (AFDC): Title IV of the Social Security Act of 1935 established what has become perhaps the best known welfare program, Aid to Dependent Children (ADC). It was designed to help poor children under age 16 who had lost the support of a parent because of death, incapacity, or continued absence from the home. ADC resembled programs called "mother's allowance," "widow's pension," or "mother's pension" programs that operated in most states at the time. Federal payments were made to match state payments, up to a maximum. States were still allowed to determine most program rules, such as income eligibility and benefit levels, within broad federal guidelines.

Since the program was expected to serve primarily the children of widows, its sponsors thought it would actually shrink as more of the population was covered by the social insurance programs in thee Social Security Act. More liberal eligibility and benefits,

and changing demographics, altered the program's course, however. Originally, ADC paid benefits only for and on behalf of eligible children, but after 1950 the needs of the mother, or another adult caretaker relative, were included in the grant. In 1961, at state option, benefits were extended to intact families in which the father was unemployed. A year later, the needs of both parents in these unemployed-parent cases were included in the grant. (About half the states with about two-thirds of the caseload have adopted the Unemployed Parent (UP) program. For several years now, it has accounted for about 7 percent of the AFDC caseload.) The program's name was then changed to Aid to Families with Dependent Children or AFDC. The 1962 legislation also sought to encourage employment by requiring states to disregard expenses necessary for employment and by providing certain social services.

In the late 1960s and early 1970s, AFDC costs and participation suddenly more than doubled and several program changes played a role. To encourage recipients to seek work, a portion of earnings was disregarded in eligibility calculations. The new legislative provision, called the "$30 plus one-third" rule, became effective January 1, 1969. It disregarded the first $30 AFDC families earned each month and one-third of remaining earnings without reducing their benefits. Although the intent was to promote work effort among AFDC recipients, the main effect probably was to enlarge the caseload by allowing some higher-income families to remain on the rolls longer (and perhaps inducing some onto assistance).

Regulatory changes, some prompted by court decisions, also played an important part in what became a welfare explosion. In 1968, the "man-in-the-house" rule, which states had used to deny benefits to an AFDC mother living with a single, able-bodied man, was struck down by the Supreme Court in King v. Smith. In 1969, the Court held in Shapiro v. Thompson that one-year residency requirements, which states had used to limit benefits to long-term residents, were unconstitutional. In the same year, states were required to update their standards for determining which families were in need, and more people became eligible. In 1970, the right of recipients to a hearing before benefits could be reduced or terminated was guaranteed in Goldberg v. Kelly. As a result of these and other changes, AFDC expenditures increased 162 percent in constant dollars from 1967 through 1972. The number of persons receiving benefits doubled during that same period to more than 10 million.

Spending (in constant dollars) and the number of recipients stabilized from 1972 through 1980. The caseload was changing composition, however, with mothers who had never been married making up a larger and larger proportion. The growth in out-of-wedlock births has been perhaps the most important influence on the nature of AFDC. Unlike the original program, which was targeted to children of widows, AFDC in the 1960s and 1970s was composed primarily of children whose fathers were alive

but not in the home. In 1942, 61 percent of children on AFDC were eligible because of the death or incapacity of their fathers, and just 39 percent because of continued absence. By 1961, these statistics had reversed, as two-thirds of children receiving benefits were eligible because of a father's absence. A decade later, in 1971, the figure was 76 percent, and by 1984, 85 percent. (15)

The Omnibus Budget Reconciliation Act of 1981 included major AFDC reforms intended to target benefits and strengthen work activities. Benefits were targeted more carefully by limiting the amount of income a family could have and still remain eligible. The new law imposed a gross income limit equal to 150 percent of a state's need standard (the income the state determines is required to meet the needs of recipient families), limited use of the $30 plus one-third disregard to four months, capped work and child care deductions, strengthened work requirements, and counted some stepparent income.

In 1984, however, the program was liberalized again: the gross income limit was raised to 185 percent of a state's standard of need; the $30 income disregard was extended from four to 12 months; the deduction of a flat $75 per month for work-related expenses was extended to part-time as well as full-time workers; additional Medicaid coverage was required for at least nine months for those who would be eligible if not for expiration of the $30 plus one-third earnings disregard.

Supplemental Security Income: Title I of the Social Security Act of 1935 provided matching federal grants to states for Old Age Assistance (OAA). OAA paid cash to needy persons age 65 and over. Similar grants were authorized under Title X, for Aid to the Blind (AB). Aid to the Permanently and Totally Disabled (APTD) was created in 1950 under Title XIV of the Social Security Act to supplement the AB program. As with ADC, it was expected that these programs would shrink as social insurance programs covered more of the population. The programs were administered by the states, with limited federal control, and states set income eligibility and benefits.

A review of the combined OAA, AB, and APTD programs shows an increase in the number of recipients from 1.1 million in 1936 to 3.2 million in 1973. The pattern of growth differed in important ways, however. The number of poor aged receiving OAA rose rapidly, at first, from 1.1 million in 1936 to 2.1 million in 1940 to 2.8 million in 1950. But it declined afterwards, to a little less than two million in 1973, as increases in Social Security coverage and benefits reduced poverty among the elderly. In contrast, the APTD program grew steadily, from 69,000 people in 1950 to more than one million in 1973. (16) Between 1960 and 1973, expenditures for all three programs grew from $1.9 billion ($6.9 billion in 1985 dollars) to $3.3 billion in 1973 ($8.1 billion in 1985 dollars).

The Supplemental Security Income (SSI) program was created in 1972 and, as of January 1, 1974, replaced these older state-administered programs. (The OAA, AB, and APTD programs still operate in Guam, Puerto Rico, and the U.S. Virgin Islands.) SSI was federally financed and administered, with uniform national eligibility rules (including uniform definitions of aged, blind, and disabled). Legislation in early 1974 indexed maximum federal benefits to changes in the Consumer Price Index. States which had earlier been paying higher benefits than those paid under the new federal programs were required to supplement the federal aid to maintain those benefit levels. Federalization eliminated the practice of providing benefits based on assessments of individual need. Benefits climbed in many states (particularly in the South), and more people than ever qualified. Most SSI recipients were also made eligible for Medicaid.

In the two years following this federalization, constant dollar costs for SSI increased by 55 percent. The caseload jumped by one million. By 1985, costs had risen to $10.9 billion and the caseload reached four million. These increases might have been even greater if Social Security had not also been growing rapidly in the 1960s and 1970s.

Means-tested Pensions for War-time Veterans and Their Survivors: The third major cash assistance program, the Veterans Non-Service-Connected Disability and Death Pensions, is similar to the SSI program, but provides income support to needy war-time veterans and their survivors. The program provides a guaranteed income level to veterans who served during war-time and are either at least 65 years old or have a total disability not due to military service. (Compensation for veterans with service-connected disabilities is not means-tested and is not included in this description of the public assistance system.) Survivors of war-time veterans do not have to meet the age and disability requirements to be eligible for the Death Pension program, but receive smaller payments.

The veterans' pension program was enacted in 1933, and was one of the first federally supported low income programs. The purpose of the program was to prevent war-time veterans and their survivors from "having to live in need." In 1960, the program income criteria were liberalized and benefits were expanded. Most importantly, a portion of some types of income, (Social Security and spouse's income) was disregarded in the calculation of the veteran's benefit level and the benefit level was adjusted to account for the number of dependents. Under these criteria, participation reached nearly three million in 1973. Spending in constant dollars has actually declined since 1973, as many World War I veterans have died, stricter eligibility criteria have been imposed, and both Social Security and private pensions have grown.

The Veterans and Survivors Pension Improvement Act of 1978 provided for higher income levels and automatic cost-of-living

increases, intended to keep recipients above the poverty levels. However, it also eliminated the disregards of Social Security and spouse's income and provided that other income would offset the pension benefit dollar for dollar.

Cash Support for Other Groups: Several smaller cash assistance programs, created since 1960, are designed to aid other groups, such as refugees, Indians, and children in foster care. Collectively, these have grown in constant dollars from $12 million in 1960 to $1.5 billion in 1985.

Current Food Programs

Some of the benefits from cash programs go toward food purchases. In addition, non-cash food benefits are provided directly in the form of coupons (Food Stamps), vouchers, and commodities. Other programs provide either cash or commodities to institutions, primarily to schools, which then prepare subsidized meals.

* The Food Stamp Program is now the largest food program by far, at $12.5 billion. Food Stamps went to 20 million persons in an average month in FY 1985. Recipients of cash assistance usually also receive Food Stamps. Food Stamps - in combination with 30 percent of the recipient household's other countable cash income, including means-tested cash assistance - are intended to provide a nutritionally adequate diet, according to the Thrifty Food Plan established by the U.S. Department of Agriculture.
* The National School Lunch Program remains one of the largest food programs at $3.4 billion, including the value of commodities, about 80 percent of which provides 1.9 billion free or reduced-price meals to about 11.5 million children. School lunches are intended to provide one-third of the student's daily nutrition requirements during the school year.
* The Supplemental Food Program for Women, Infants and Children (WIC), and the Temporary Emergency Food Assistance Program (TEFAP) have grown faster than other food programs the past few years. WIC spending has reached $1.5 billion, and 3.1 million persons receive aid. TEFAP amounts to nearly $1 billion, but estimates of the number of recipients are not available.

History of Food Assistance Program Growth

Total spending for food programs has gone from $.4 billion in 1960 ($1.4 billion in constant 1985 dollars) to $20.4 billion in 1985, an increase of about 1,380 percent in constant dollars.

During the 1930s, farm surpluses led to the distribution of commodities, first to schools to include in school lunches, and later directly to families. A food coupon program operated

briefly from 1939 to 1943 to encourage the consumption of particular surplus foods.

Food Stamps: In 1961, the distribution of surplus commodities to needy families was expanded and a pilot Food Stamp Program began in several economically depressed areas. Eligibility was tied to each state's income guidelines for public assistance. A purchase requirement was established, requiring households to contribute part of their income toward the purchase of stamps. This was designed to ensure that families would increase their overall food purchases, rather than substitute Food Stamps for cash purchases.

The Food Stamp Act of 1964 permanently authorized the program, giving states the option of participating and permitting them to control eligibility and administration. Benefits and 30 percent (50 percent today) of administrative costs were paid by the federal government.

Spending for Food Stamps grew at a relatively slow pace through 1970, while the program remained a set of disparate projects throughout the country. Monthly participation then stood at only about 4.3 million persons. In 1970, Congress established uniform national standards for eligibility and raised benefits so that they would provide a "nutritionally adequate diet." Other key elements of the law were that families would not have to spend more than 30 percent of net income for Food Stamps, and able-bodied, unemployed participants were required to register for work. Partly due to these changes, participation doubled between 1970 and 1971 (4.3 million to 9.4 million) and outlays in constant dollars rose from $1.6 billion to $4.2 billion.

Other major changes in the Food Stamp Program were made in the early 1970s, mandating nationwide availability and annual adjustments in benefit levels to reflect increases in the cost of food. By 1976 national coverage was attained and participation reached 17 million. Direct commodity distribution to needy families was phased out, except on Indian reservations, in the Trust Territories, and during emergencies.

The next major spur to expansion was the Food Stamp Act of 1977, which both tightened eligibility criteria and eliminated the requirement that households "purchase" their Food Stamps. Elimination of the purchase requirement was thought necessary to increase participation among older and rural households. As a result of these changes and the economic recession of 1980, participation rose from about 14.4 million people per month in 1978, the year before changes in the law, to 20.6 million people per month in 1980.

During the 1980s, concern about fraud, waste, and abuse increased, as did interest in targeting benefits to those in greatest need. The Omnibus Budget Reconciliation Act of 1981 set a gross income limit for non-elderly households at 130 percent of

poverty, restricted benefits for those on strike, and reduced the earned income deduction to 18 percent. Amendments in 1981 provided states with the option of operating workfare programs for recipients.

The Food Security Act of 1985 liberalized the Food Stamp Program in several ways. It separated the housing and child care deductions, which previously had a combined cap, so that those with both kinds of deductions could receive a greater total deduction. The 18 percent earnings disregard was raised to 20 percent. The same legislation also set stricter work requirements.

Child Nutrition Programs: The School Lunch Program is the oldest and largest child nutrition program. The first federal aid was provided in 1932 in the form of loans and surplus commodities. In 1946, the National School Lunch Act authorized federal cash payments to states for school lunches. As of January 1, 1971, states were required to provide free lunches to all children from families with net incomes below 100 percent of official poverty guidelines. During the early 1970s participation increased among both schools and children. Currently, free lunches are available to children with family incomes under 130 percent of poverty. Children are eligible for lunches at reduced-price if their family incomes are under 185 percent of poverty.

In 1966, the Child Nutrition Act authorized a pilot School Breakfast Program. Two years later the breakfast program was fully authorized, and the Child Care Food and Summer Food Service Programs began. Legislation in 1970 established family income eligibility standards tied to federal poverty guidelines.

The Special Supplemental Food Program for Women, Infants and Children (WIC): WIC began as a two-year pilot project in 1972 to promote the health and nutritional well-being of pregnant and breast-feeding women, infants, and young children. It provides health examinations, nutrition education, and a voucher to purchase foods with nutrients found to be lacking in the diets of the target population. It has been one of the fastest growing programs, nearly tripling in constant dollars from 1976 through 1981 and increasing by 40 percent since 1981. Today, more than one in every five newborn babies receives WIC benefits.

Temporary Emergency Food Assistance Program: In recent years interest in direct commodity distribution has again surged, in order to decrease agricultural surpluses, especially of dairy products. Commodity distribution was one of the earliest forms of food assistance and vestiges of those early programs remain in the Food Donations Program for the elderly, for institutions, and for summer camps. In 1981, the distribution of surplus products, especially cheese, was authorized to needy Americans. In 1985

nearly $1 billion worth of surplus commodities were distributed through the program.

Current Housing Programs

Some of the benefits from cash programs are for housing. Non-cash housing assistance is provided on behalf of low income tenants directly to public landlords for the difference between tenant contributions and the cost of providing the rental unit, and to private landlords for the difference between tenant contributions and what the federal government has determined to be the "fair market rent." For some programs, the federal government provides long-term commitments of aid for up to 40 years. More recently, programs have been created to provide aid in cash to households or to their utilities and bulk-fuel dealers for home energy and weatherization services.

* The Public and Indian Housing Program, dating from the U.S. Housing Act of 1937, provides $3.4 billion annually in subsidies to Public Housing Authorities (PHAs) to benefit 1.3 million households. It supports the cost of construction and operation of housing which is owned and operated by local PHAs.
* The Section 8 Housing Assistance Payments Program, which began in the 1970s, spends $6.8 billion annually and serves 2 million households. Most recipients of Public Housing and Section 8 also receive means-tested cash benefits.
* One of the largest housing related programs is the Low Income Home Energy Assistance Program, at $2.1 billion, reaching about 7.5 million households.
* The Farmers' Home Administration administers several means-tested housing programs, including the $105 million Rural Rental Assistance Program, which parallels the larger Section 8 program in many ways. It reaches about 89,000 families in a year.

History of Housing Assistance Program Growth

Total spending for housing programs has gone from $.1 billion in 1960 ($.5 billion in constant 1985 dollars) to $13.7 billion in 1985, an increase of about 2,600 percent in constant dollars.

Public Housing Program: The Public Housing Program, created by the U.S. Housing Act of 1937, is the oldest of the current assisted housing programs. Initially, the federal government paid only the costs of building the units; tenant rents were to cover operating costs. Operating subsidies were first authorized on a limited basis in 1961.

In 1969, the first of the so-called "Brooke Amendments" recognized the shift of emphasis in the Public Housing Program toward helping the poorest households, by limiting tenant rent to 25 percent of income, after deductions. Availability of federal

funds to subsidize operations further reduced incentives to keep operating costs down.

HUD allocated the first modernization funds in 1968 for projects that were deteriorating. These funds have been limited to major repairs or other improvements. Unfortunately, the system has created incentives for PHAs to delay cost-effective maintenance so that they could obtain modernization funds once the units deteriorated.

The Omnibus Budget Reconciliation Act of 1981 increased the tenant's share of rent to a maximum of 30 percent of countable income. For current tenants, the change was phased in over five years, and was intended to bring the rent of subsidized tenants more into line with rents of other low income households. To target aid better, the income eligibility requirements were also changed, so that at least 75 percent of the tenants in older projects, and 95 percent in projects built after 1981, have incomes below 50 percent of the area median.

Programs Under Sections 202, 235, and 236: Direct loans were extended to build rental units for the elderly under HUD's section 202 program in 1959, and rural households were assisted through a similar loan program administered by the Farmers Home Administration.

In 1968, two interest subsidy programs were created to help low-income households: Section 235, to assist home buyers, and Section 236, to provide assistance to renters by subsidizing the developers of rental units. Section 235 represented the first federal spending program to subsidize the purchase of a home for poor households. Many whose income would not have been high enough to purchase a home otherwise were able to do so through Section 235. About 20 percent had defaulted on their loans by 1973.

Neither Section 235 nor Section 236 accept new applications for assistance any longer. However, due to earlier commitments, combined spending continues at nearly $900 million.

Section 8 Housing Assistance Payments Program: As a result of excessive costs and defaults in housing programs, a moratorium was placed on all new construction in 1973. In 1974, a new program called Section 8 was created with the expectation that eventually it would replace all other subsidized housing programs. Section 8 subsidized rents in newly constructed housing, including rehabilitated units, as well as in existing private-market rental units. For the first time, a housing subsidy program made substantial use of the existing housing stock. (Limited use of existing housing stock had also been authorized under the Public Housing Program in 1965.) The intent was to reduce the cost per-unit of subsidies and to provide greater choice of location and housing type to recipients. Initially, tenants paid rent equal to 15-25 percent of their

income, with HUD paying the difference between that and the rent charged by the landlord. Section 8 is now the largest housing program, with 2 million units. About two-thirds of these reduce the rent in existing housing units.

Legislation in 1981 increased maximum Public Housing and Section 8 tenant rents from 25 to 30 percent of income, over a five-year period for tenants already in the program, to bring the tenants' contributions more into line with what other low income households were paying for rent. In addition, a new voucher demonstration program began in 1983 under Section 8. Qualifying families receive vouchers they can use like cash to find privately owned housing. The subsidy is equal to the difference between 30 percent of their adjusted gross income and the fair-market rent. Households renting units costing more than the fair-market rent pay the full additional expense; those choosing to live in less costly housing keep the difference.

Current Medical Assistance Programs

Medical benefits are provided both as payments for services on behalf of eligible persons, and as services in hospitals and health centers operated directly by the government.

* Medicaid pays for medical services to AFDC and SSI recipients, and, at state option, to certain other persons. It has outlays of $41.2 billion, exceeding AFDC, SSI, and Food Stamps combined. A large and growing portion of Medicaid spending is devoted to long-term care. In FY 1985, $16.6 billion, or about 40 percent of all Medicaid spending, went for long-term care patients, although they represented only seven percent of all Medicaid patients.
* Means-tested veterans' medical benefits total about $5.3 billion, making it the sixth largest means-tested program.
* Health centers providing a full range of ambulatory services are funded for medically underserved areas, Indians, and migrant workers.
* One of the four Public Health Service block grants, the Maternal and Child Health Block Grant, gives priority to serving persons with incomes below poverty.

History of Medical Assistance Program Growth

Total spending for medical assistance programs has gone from $1 billion in 1960 ($3.5 billion in constant 1985 dollars) to $48.6 billion in 1985, an increase of about 1,300 percent in constant dollars.

Independent of government programs, public and private hospitals, and individual physicians have provided some free health care to those unable to pay. As a condition of receiving construction grants under the 1946 Hill-Burton Act, health care facilities were required to provide some free care. Medical costs were

sometimes reimbursed by special additions to cash grants. In 1950, federal matching payments directly to medical care providers (also called vendors) on behalf of cash welfare recipients became available. These payments were subject to individual maximums, however, and since medical expenses often exceeded these limits, federal financing remained small.

In 1960, the Kerr-Mills Act expanded medical assistance for the aged by increasing federal payments and creating a new program, Medical Assistance for the Aged (MAA). MAA paid for certain services for those 65 or older who did not receive OAA (because they had sufficient resources to meet their non-medical needs), but had high medical expenses. A similar option was allowed for the blind and disabled in 1962.

Medicaid: In 1965, Title XIX of the Social Security Act was enacted, authorizing Medicaid. It provided matching grants to states to finance medical care for those eligible for cash assistance, replacing the medical vendor payments. States could also extend coverage to those who were not poor enough to be eligible for cash assistance but met all other requirements, on condition that they "spend down" their income and resources on medical costs.

States received little policy guidance at first, but by 1967 were required to provide such basic care as hospital and physician services, and, for persons 21 and over, skilled nursing home care. States could also purchase Supplemental Medical Insurance (SMI) coverage under Medicare for elderly persons eligible for both programs. Despite utilization controls and limits on reimbursements to "reasonable charges," Medicaid costs grew from $1.8 billion ($6 billion in 1985 dollars) in 1966 to $6.7 billion in 1971 ($17.9 billion in 1985 dollars). The number receiving benefits rose from eight to 17 million.

Medicaid spending increased even more rapidly in 1972, when legislation allowed reimbursement to intermediate care facilities (ICFs), which provide fewer services than skilled nursing facilities (SNFs). (17) Payments to ICFs for care for the mentally retarded also were authorized. These changes increased demand for Medicaid and shifted the costs of some care from families and states to Medicaid. Costs for long-term care began to increase relative to acute care, and today long-term costs stand at about 40 percent of all Medicaid outlays.

Medicaid costs also increased when SSI replaced the state-run cash assistance programs for the aged, blind, and disabled. More people qualified for SSI and thus became eligible for Medicaid. Disabled children became a new category covered under both programs. As a result of these increases in eligibles and covered services, as well as inflation in medical costs above the general inflation rates, Medicaid spending grew from $8.5 billion in 1972 ($21.8 billion in 1985 dollars) to $15.1 billion in 1976

($28.6 billion in 1985 dollars). The caseload rose from 17.6 to 22.8 million.

The caseload stabilized from 1976 to 1980, but costs continued to rise. Medical inflation played a major role in this increase, and the structure of the program itself also did little to encourage cost-effective care. Its fee-for-service reimbursement created incentives for excessive use by shielding both patients and providers from real costs.

Reforms in 1981 were designed to restrain Medicaid costs. Federal payments to states were reduced unless cost-saving reforms were implemented, and states were given more flexibility in running their programs. For example, they were allowed to shift away from retrospective cost-based reimbursement of hospitals. Under waivers, states could place some restrictions on beneficiaries' choices of providers and could implement managed care systems. They also could use home and community-based services for those who otherwise would be institutionalized, if they could demonstrate that total long-term care expenditures would be lower. Restrictions in AFDC and SSI also limited eligibility for Medicaid.

The Deficit Reduction Act of 1984 extended required Medicaid coverage to first-time pregnant women from the point of medical verification, and, in two-parent families where the principal earner is unemployed, to pregnant women and to children (up to the age of five) born after October 1, 1983. Amendments in 1986 allowed states to extend Medicaid to pregnant women and infants who are not eligible for SSI or AFDC but have incomes below poverty.

Means-tested Veterans' Health Care: Historically, the principal purpose of the Veterans Administration health care system has been to provide care to veterans with service-connected disabilities and veterans unable to pay for needed medical care. In 1970, however, eligibility was expanded to include veterans 65 years of age or older, without regard to income, insurance coverage, or other financial status. This change, combined with an aging veteran population, has led to rapid cost increases.

Currently, free medical care for veterans with a non-service-connected disability is available to those veterans with annual incomes up to $18,000 for a veteran with one dependent and up to $15,000 for a single veteran. Veterans with total disability not due to military service and incomes between $18,000 and $25,000 may be treated without charge if space is available, while those with incomes in excess of $25,000 may be treated if space is available and they agree to make a copayment.

Other Health Care Programs: A variety of other programs exist to provide health care to the poor. Some are targeted to people with specific medical conditions, others at certain population

groups. Unlike Medicaid, which reimburses providers for medical services to eligibles, many of these programs authorize spending for operation of direct care facilities, such as clinics. These programs have grown 431 percent in constant dollars from 1960 through 1985.

Current Social Service Programs

Services are provided by local private and public agencies which receive federal funds either directly as grantees or, through an intermediary, as subgrantees.

* The $1.3 billion Head Start program serves 450,000 children.
* Legal services, at $313 million, serves 1.3 million people.
* Consistent with the philosophy that state governments should be accountable to their own citizens, block grants to states generally have few federal reporting requirements. As a result, there is only limited information available at the federal level about the number of persons served under either the Social Services Block Grant or Community Services Block Grant. These programs have combined spending of $3.1 billion.

History of Social Service Program Growth

Combined spending for service programs has gone from $.2 billion in 1963 ($.9 billion in constant 1985 dollars) to $4.9 billion in 1985, an increase of 471 percent in constant dollars.

A wide variety of social services are funded by the government to reduce dependency, protect vulnerable adults and children, and reduce the need for institutional care. These include child care, information and referral services, protective services for children and adults, and home-based services.

Social Services Block Grant: The Social Security Amendments of 1956 first authorized federal funds for social services, but only for recipients of cash grants from the categorical assistance programs (OAA, AB, APTD, and ADC) at a 50 percent matching rate. Before that time, some states had provided such services out of their own funds. It was hoped that the social services would lead to self-reliance and economic independence. Funding was open-ended.

Legislation in 1962 separated the appropriations of funds for social services from the cash assistance programs and raised the federal matching rate to 75 percent of the cost of services. States also were allowed to extend services to former and potential, as well as current, public assistance recipients. Federal regulations specified what services could be provided, to whom, and under what conditions. In 1967, states were allowed to purchase services on behalf of recipients from private service providers.

Spending soon reached levels well beyond those envisioned by Congress. Moreover, it appeared that federal funds were being used to pay for services formerly financed by states themselves. To bring federal costs under control, legislation in 1972 capped federal spending for social services at $2.5 billion and restricted participation and services.

In 1974, the Title XX social services program was established as part of the Social Security Act. The Title XX program retained the $2.5 billion ceiling. It permitted services to be provided, at state option, to persons with income up to 115 percent of a state's median income (and for some services regardless of income), but required that at least half of federal funds be spent for services to AFDC and SSI recipients. Spending under the new Title XX program remained relatively stable in constant dollars through 1981.

The Omnibus Budget Reconciliation Act of 1981 created the Social Services Block Grant (SSBG), which consolidated funding for social services, child day care services, and social services staff training. Spending was cut by about 18 percent, to $2.4 billion, because savings were to be achieved from the trimming of administrative requirements imposed on states. States now determine their own eligibility criteria, mix of services, and what fees to charge. Some of the consolidated programs had been means-tested and some had not. That pattern continues in the programs funded by the block grant.

Community Services Block Grant: The other major services block grant established in 1981 was the Community Services Block Grant (CSBG). It evolved from the anti-poverty programs created under the Economic Opportunity Act of 1964. The 1964 Act established Community Action Agencies (CAAs) and a number of service programs, such as Job Corps, Adult Basic Education, Head Start, Legal Services, Family Planning, and many others. Originally, these programs operated out of the Office of Economic Opportunity, which was replaced in 1975 by the Community Services Administration, which was itself abolished in 1981 when the CSBG was created. Many of the programs have since been moved to separate agencies.

The Community Action Agencies (CAAs) are locally-based and community-run organizations. They currently receive most of their funding from sources other than CSBG, frequently from programs mentioned above as beginning with the Economic Opportunity Act of 1964. Spending under CSBG and its predecessor programs has duplicated assistance provided under many other programs, primarily in housing, food assistance, education, and employment and training.

Current Employment and Training Programs

Employment and training programs offer classroom and on-the-job training, job referral and other services. Participants may enroll voluntarily, or may be required to participate as a condition of receiving benefits from other programs.

* The Job Training Partnership Act of 1982 consolidated a variety of job and training programs. The largest program within the JTPA is a block grant to states for training disadvantaged adults and youths, at $1.7 billion. In FY 1985, 1.3 million persons participated.
* The Summer Youth Employment Program serves about 778 thousand participants, at a cost of $776 million.
* Job Corps, an intensive residential training program, is run at 105 centers nationwide.

History of Employment and Training Program Growth

Total spending for training programs has gone from $.1 billion in 1964 ($.3 billion in constant 1985 dollars) to $4.0 billion in 1985, an increase of about 1,330 percent in constant dollars.

In the 1930s, after initial programs of relief for the unemployed, the Civilian Conservation Corps, Public Works Administration, and Works Progress Administration funded jobs in national parks and forests, building roads and dams, and on projects aimed at creating jobs in small communities. These programs were phased out with the end of the Great Depression and the beginning of World War II.

For more than two decades no other major federal employment and training programs were created. But the first post-war years of high unemployment from 1958-1961 raised new concerns, resulting in the Manpower Development and Training Act (MDTA) of 1962. It was the first major federal effort to provide training (as opposed to direct job creation) for the unemployed. The program was initially aimed at unemployed workers with work experience who had lost their jobs because of automation, but it soon shifted to people who had few marketable skills. Heavy reliance was placed on institutional training, where participants were trained for particular jobs or in specific skills. In subsequent years, MDTA emphasized on-the-job training (OJT), in which employers were reimbursed for training costs.

The major programs of the mid-1960s were Neighborhood Youth Corps, and Job Corps, authorized by the Economic Opportunity Act of 1964, and the Work Incentive (WIN) Program for AFDC recipients, authorized in 1967. These programs, designed at the federal level, had overlapping goals and served similar groups. They were separately administered and relied on disparate delivery systems. The Neighborhood Youth Corps operated under the auspices of thousands of separate contracts between the federal government and local operators.

Evaluations have raised doubt about the effectiveness of all these programs. Classroom training has been criticized because it failed to train workers for existing jobs and because participants' performance in their trained skills often was low. OJT subsidies were believed to do little to encourage private employers to train and hire disadvantaged workers, but subsidized employers who would have hired such workers anyway.

The Comprehensive Employment and Training Act (CETA): These problems led to a major restructuring of manpower programs in the 1970s. The Comprehensive Employment and Training Act (CETA) of 1973 was the result. It consolidated some programs and transferred responsibility for administering and delivering these services to state and local governments. Federal grants were distributed to local "prime sponsors" -- state, county, or municipal governments or consortia -- to run local employment and training programs. These grants were used to provide training and support services to the unemployed and economically disadvantaged.

CETA included a number of different employment and training services, such as public service employment (PSE), classroom and on-the-job training, allowance payments, support services, and job search assistance. It targeted low income and minority workers and youth. Although conceived as a training program, early amendments tried to make it a large, public job-creation program to counter the effects of a recession then underway.

CETA expanded in 1974 with the addition of public-service employment, and in 1977 it increased further when a major new component, the Youth Employment and Demonstration Projects Act, was added. The latter was a $1 billion effort to employ youth and keep them in school. As CETA grew, it became more controversial. Title VI was enacted to use public service employment to combat the high unemployment of the 1974-1975 recession. High levels of public employment were reached only in 1977-1978, however, when unemployment already had fallen appreciably.

The Private Sector Initiatives program was also added in 1978. It created local Private Industry Councils (PICs) that were to become the cornerstone of the Job Training Partnership Act.

The Job Training Partnership Act (JTPA): JTPA replaced CETA in 1982. Unlike CETA, which relied heavily on public sector employment, JTPA emphasizes skills training for private sector jobs and prohibits public-service employment (except for disadvantaged youth during the summer). At least 70 percent of funds must be used for training. The remaining 30 percent may be used for supportive services, work experience stipends and administrative costs, but administrative costs must not exceed 15 percent. JTPA distributes funds to governors and gives locally

elected officials and private representatives operating through local PICs authority to run the program.

Participation of youth and public assistance recipients is stressed in JTPA. Welfare recipients are to be served in proportion to their share of the eligible population 16 years of age and over in the service area of the program. At least 90 percent of participants must be from families who receive public assistance or whose income is less than 70 percent of the lower living standard income level. At least 40 percent of program funds must be spent on disadvantaged youth between ages 16 and 20.

Current Education Programs

Elementary and secondary education programs provide services to the educationally disadvantaged. Other programs help pay college costs.

* Grants to Local Education Agencies for the education of disadvantaged children are the largest of the elementary and secondary programs at $3.2 billion.
* The largest means-tested higher education program is Pell Grants at $3.8 billion, aiding 2.3 million students.
* The College Work-Study Program follows at $554 million. Persons with family income above the median for all families may qualify for this and for Pell Grants.
* Supplemental Education Opportunity Grants, at $396 million, benefit .7 million students. The program largely serves the same groups as the Pell Grants.

History of Education Program Growth

Total spending for education programs has gone from $1.3 billion in 1966 ($4.2 billion in constant 1985 dollars) to $8.3 billion in 1985, an increase of 95 percent in constant dollars.

Title I of the Elementary and Secondary Education Act of 1965 authorized grants to local educational agencies to provide remedial instruction for children in low income areas. It was a symbolic and important piece of legislation because it ended long-standing opposition to federal aid to state and locally controlled public schools. The level of funding, beginning with $1.2 billion in 1966 ($3.9 billion in 1985 dollars), also indicated the magnitude of commitment.

The Higher Education Act (HEA) of 1965 also introduced a number of new programs. The Guaranteed Student Loan (GSL) Program was established to provide low-interest loans to students from families with low and moderate incomes. The College Work-Study Program was authorized to pay part of a student's salary in a federally approved work-study program. Of particular benefit to low income students were Supplemental Education Opportunity

Grants (SEOG), which made direct payments to full-time students with exceptional financial needs.

More programs were created in the 1970s and existing ones expanded. The Higher Education Amendments of 1972 created the Basic Education Opportunity Grants (later renamed Pell Grants), to provide grants to financially needy students to meet the costs of college. Another major expansion came in 1978, with the Middle Income Student Assistance Act, which loosened eligibility for Pell Grants and eliminated family income limits in the GSL program.

As part of the Education Consolidation and Improvement Act of 1981, 29 elementary and secondary education programs authorized by ESEA were consolidated into a block grant to the states. Total spending under the block grant was lower than the combined funding for the predecessor programs, and the consolidation simplified administration and gave states greater flexibility over the services they provided. In the Omnibus Budget Reconciliation Act of 1981, a GSL means-test was reinstituted and an origination fee was established to help offset GSL interest subsidies.

Official Poverty Levels and Rates

The general purpose of all the programs just described is to help those in need. However, particular programs reflect different ideas about who is in need, and what and how much they need. Americans are most familiar with what are called the "poverty levels." Every year official statistics count the number of people with incomes below these levels. The poverty levels are useful in several ways, but they remain abstractions, and far from an accurate measure of what, in any practical sense, people need.

Created in 1964, the poverty levels, or, more precisely, poverty thresholds, are loosely tied to the cost of basic necessities. In the 1955 Household Food Consumption Survey the mean ratio of total family expenditures to food expenditures was three to one. This ratio was used to calculate poverty levels by tripling the costs of adequate nutrition set out in a diet called the Economy Food Plan, published by the Department of Agriculture. The poverty levels were adjusted for the number of persons in a family, the age and sex of the family head, and whether the family lived on a farm (food was deemed less of a money expense for farm families). The distinction between farm and nonfarm families was dropped in 1981, as were the sex distinctions. Each year, the levels are updated based upon changes in the Consumer Price Index.

As absolute measures of need, few regard the poverty levels as accurate. The amount of cash a person or family needs for basic necessities can vary enormously and in ways not at all reflected

in the poverty levels. The local prices of such basics as food, shelter and clothing, the capacity of persons to produce these basics for themselves, and their ability to conserve and manage resources all influence material well-being. None of these are reflected, either in the poverty thresholds, which are descriptive statistical measures, or in the poverty guidelines, an even more simplified measure published each year by the U.S. Department of Health and Human Services for use in determining eligibility for program benefits. Table 2 shows the latest poverty thresholds and guidelines.

The official way of counting income to determine how many people fall below the official poverty levels is as imperfect as the levels themselves. The Bureau of the Census reports the poverty status of families and unrelated individuals (excluding institutionalized persons) from data collected each March in the Current Population Survey (CPS), which asks about income received during the preceding calendar year. The official annual poverty statistics are based upon the amount of cash income (before taxes) received from: money wages or salary; net income from self-employment; cash transfers from government programs; property income (e.g., interest, dividends, or net rental income); other forms of cash income (e.g., private pensions, alimony, student assistance or child support). Not included is money received from the sale of property, imputed rents, and such lump sum or one-time payments as life insurance settlements or the Earned Income Tax Credit. Only income from assets is included. Therefore, a person may have assets of great value but be counted as officially poor if his income from those assets and other sources is below the poverty levels. (18)

Non-cash government and private benefits, such as Food Stamps, Medicare, Medicaid, and employer-provided health insurance also are excluded. Failure to include non-cash income has a large effect upon the official poverty rates. Counting just the major non-cash government benefits for basic needs (food, shelter, and the insurance value of medical assistance) drops the overall poverty rate for persons by as much as 41 percent in SIPP.

Other kinds of income, while not deliberately excluded, are not captured. Tens, and perhaps hundreds, of billions of dollars in income from the "underground economy" is unreported each year. That includes any income which is unreported to avoid taxation or government notice.

Other types of income may be reported, but not in full. This is especially the case with cash social insurance and public assistance. In the surveys used as the basis of official poverty counts, only about three-quarters of AFDC and 85 percent of SSI are reported each year. About 10 percent of all Social Security income is not reported, and about 25 percent of Unemployment Compensation is not either. The official poverty rate is driven up by the underreporting of the very kinds of income from

TABLE 2

POVERTY THRESHOLDS AND GUIDELINES

Size of Family Unit	1985 Thresholds	1986 Guidelines*
1 Person (Unrelated Individual)	$ 5,469	$ 5,360
Under 65 Years	5,593	
65 Years and Over	5,156	
2 Persons	$ 6,998	$ 7,240
Householder Under 65 Years	7,231	
Householder 65 Years And Over	6,503	
3 Persons	$ 8,573	$ 9,120
4 Persons	10,989	11,000
5 Persons	13,007	12,880
6 Persons	14,696	14,760
7 Persons	16,656	16,640
8 Persons	18,512	18,520
9 Persons or More	22,083	**

* 1986 Poverty Income Guidelines for all States (except Alaska and Hawaii which have higher guidelines) and the District of Columbia.

** For family units with more than eight members, add $1,880 for each additional member.

government benefits which poor families and individuals are likely to receive.

SIPP was designed by the Bureau of the Census to reduce errors from underreporting by visiting sample households more frequently than other income surveys, and by asking more detailed questions. While cash income still is underreported in SIPP, it is less so than in CPS. Counting only cash income, like the official poverty statistics, SIPP found 12.9 percent of all persons to be poor from mid-1983 to mid-1984, whereas the official poverty rate based upon data from the March Supplement of the Current Population Survey was 15.2 percent for 1983 and 14.4 percent for 1984. (19)

Underreporting of income results in a higher poverty rate in any single year. Changes in the official poverty rates from year to year might still be accurate indicators of trends if the underreporting of income has not changed much, that is, if income is underreported by about the same proportion each year. With some underreporting, that probably is true. However, the exclusion of non-cash income from the poverty calculations does reduce even the usefulness of the official poverty statistics as a relative measure over time. Spending on non-cash programs, especially non-cash public assistance, has increased enormously relative to cash public assistance. While data are not available to calculate poverty rates including non-cash assistance for years before 1979, certainly the fast growth in non-cash benefits would have reduced poverty further through the 1960s and early 1970s and reduced the apparent growth of poverty in the late 1970s and early 1980s.

Despite their limitations and distortions, no commonly accepted alternative to the official poverty rates exists for discussing the economic status of low income families over the past 25 years. Keeping the issues of underreporting in mind, it will be helpful to note at least major trends in poverty in the past two decades. Table 3 shows the trend in official poverty rates from 1960. (20)

The official poverty rate declined from 1959 through 1969. It then remained relatively stable through 1978, reaching its lowest level in 1973. From 1978 through 1981, it increased about 22 percent, to 14 percent of the population. The biggest one-year increase in poverty - 12 percent more people - occurred from 1979 to 1980. The general poverty rate reached 15.2 percent in 1983, then began a decline. (21) Several factors are associated with these changes, perhaps most powerfully, real economic growth.

The poverty rates of families headed by females is of particular interest, because they are so high relative to rates for other families, and because female headed families are recipients of a large portion of all public assistance spending. As Table 3 shows, female headed families have had poverty rates dramatically higher than the average rates for families since the official

TABLE 3

OFFICIAL POVERTY RATES

Year	Persons Below Official Poverty Level	Families Below Official Poverty Level	Female Headed Families Below Official Poverty Level
1960	22.2%	18.1%	42.4%
1961	21.9%	18.1%	42.1%
1962	21.0%	17.2%	42.9%
1963	19.5%	15.9%	40.4%
1964	19.0%	15.0%	36.4%
1965	17.3%	13.9%	38.4%
1966	14.7%	11.8%	33.1%
1967	14.2%	11.4%	33.3%
1968	12.8%	10.0%	32.3%
1969	12.1%	9.7%	32.7%
1970	12.6%	10.1%	32.5%
1971	12.5%	10.0%	33.9%
1972	11.9%	9.3%	32.7%
1973	11.1%	8.8%	32.2%
1974	11.2%	8.8%	32.1%
1975	12.3%	9.7%	32.5%
1976	11.8%	9.4%	33.0%
1977	11.6%	9.3%	31.7%
1978	11.4%	9.1%	31.4%
1979	11.7%	9.2%	30.4%
1980	13.0%	10.3%	32.7%
1981	14.0%	11.2%	34.6%
1982	15.0%	12.2%	36.3%
1983	15.2%	12.3%	36.0%
1984	14.4%	11.6%	34.5%
1985	14.0%	11.4%	34.0%

Source: Current Population Reports, Series P-60

series began. What the Table doesn't show directly is that female headed families with children represent a growing proportion of all families with children. From 1970 to 1980, the number of fatherless families with children doubled, while the number of married-couple families with children actually decreased by nearly 5 percent. (22) Fatherless families with children made up 19 percent of all families with children in 1984, up from 10.2 percent in 1970. While the exact magnitude of the effect upon the poverty rate brought about by this major demographic change is open to interpretation, the effect clearly has been to increase the number of families and children classified as poor. For 1985, the official poverty rate for married-couple families with children was 8.9 percent. For female headed families with children, the official rate was 45.4 percent. (23)

The Efficiency and Effectiveness of Public Assistance

Despite their limitations, the poverty rates have been used as a benchmark for the public assistance system. Release of the official poverty statistics each year leads to public discussion of whether we are spending enough to help the poor. Moreover, two dozen programs determine eligibility for benefits by employing the poverty income guidelines published each year by HHS. A number of others employ poverty counts in formulas for distributing program funds among the states. So, keeping the flaws of official poverty measures in mind, it is important to ask how effective and efficient public assistance is in overcoming poverty.

To understand how means-tested assistance affects poverty, it helps to start with the number of persons with incomes below poverty before any public assistance is counted. This is not the official way of counting the number of people below poverty. The official poverty count is based upon total cash income, including cash welfare. Instead, the following discussion starts with a pre-welfare poverty count. It classifies individuals and families by whether their income other than public assistance is below the official poverty thresholds. So it counts the value of Medicare (which the official poverty definition does not) but does not include the value of cash public assistance.

As Table 4 shows, SIPP found that 10.5 percent of all families, and 12.8 percent of all persons had annual incomes below the poverty line before counting any public assistance. This includes income from all private sources and from social insurance programs (primarily Social Security, Medicare, and Unemployment Compensation). A family's income can change greatly over the course of a year. Some families and individuals may have low incomes part of the year, but not during other parts. So, for comparison, Table 5 displays counts and rates based on monthly income and one-twelfth the poverty thresholds.

TABLE 4: FAMILIES AND PERSONS UNDER INCREMENTS OF POVERTY AFTER COUNTING ANNUAL PRE-WELFARE INCOME

COUNT BELOW PERCENT OF POVERTY (THOUSANDS)

	Total	<50%	<75%	<100%	<125%	<150%	<175%	<200%	200%<
FAMILIES AND UNRELATED INDIVIDUALS									
Total Families & UIs	90838	6108	8414	11680	15803	20655	25865	30869	59969
Total Families	63223	3739	5039	6670	8939	11671	14670	17927	45296
Families With:									
Female Headed w/Children	6766	2362	2779	3233	3755	4304	4721	5118	1648
Householder 65 or Older	9411	138	236	400	689	1008	1428	1940	7472
Families & UIs Receiving:									
Non-SSI Cash Welfare	4978	3099	3507	3868	4103	4301	4431	4570	408
Food Stamps	8790	3998	5044	6277	7165	7822	8175	8386	404
Public Housing	3812	1187	1444	1784	2184	2636	3068	3297	515
SSI	3262	953	1347	1851	2259	2464	2807	2731	531
Medicaid	9524	3939	4834	5786	6614	7244	7650	8027	1497
Any Means Tested	17711	4738	6180	7993	9985	11918	13478	14499	3212
No Means Tested	73127	1372	2234	3687	5818	8737	12387	16370	56757
PERSONS									
Total Persons	227373	15922	21497	29099	38831	50457	62750	75821	151553
Persons in Families	199759	13552	18121	24089	31967	41473	51555	62879	136880
Persons in Families With:									
Female Headed w/Children	21515	8041	9417	10889	12511	14142	15368	16591	4924
Householder 65 or Older	22277	409	766	1273	2072	2847	3887	5140	17138
Unrelated Individuals	27614	2370	3376	5010	6864	8984	11196	12941	14673
Male 65 or Older	1974	18	53	118	227	444	663	837	1137
Female 65 or Older	6901	209	441	993	1816	2721	3606	4239	2661

CUMULATIVE PERCENTS

	Total	<50%	<75%	<100%	<125%	<150%	<175%	<200%	200%<
FAMILIES AND UNRELATED INDIVIDUALS									
Total Families & UIs	90838	6.7%	9.3%	12.9%	17.4%	22.7%	28.5%	34.0%	66.0%
Total Families	63223	5.9%	8.0%	10.5%	14.1%	18.5%	23.2%	28.4%	71.6%
Families With:									
Female Headed w/Children	6766	34.9%	41.1%	47.8%	55.5%	63.6%	69.8%	75.6%	24.4%
Householder 65 or Older	9411	1.5%	2.5%	4.3%	7.3%	10.7%	15.2%	20.6%	79.4%
Families & UIs Receiving:									
Non-SSI Cash Welfare	4978	62.3%	70.4%	77.7%	82.4%	86.4%	89.0%	91.8%	8.2%
Food Stamps	8790	45.5%	57.4%	71.4%	81.5%	89.0%	93.0%	95.4%	4.6%
Public Housing	3812	31.1%	37.9%	46.8%	57.3%	69.2%	80.4%	86.5%	13.5%
SSI	3262	29.2%	41.3%	56.7%	69.3%	75.5%	79.9%	83.7%	16.3%
Medicaid	9524	41.4%	50.8%	60.8%	69.4%	76.1%	80.3%	84.3%	15.7%
Any Means Tested	17711	26.7%	34.9%	45.1%	56.4%	67.3%	76.1%	81.9%	18.1%
No Means Tested	73127	1.9%	3.1%	5.0%	8.0%	11.9%	16.9%	22.4%	77.6%
PERSONS									
Total Persons	227373	7.0%	9.5%	12.8%	17.1%	22.2%	27.6%	33.3%	66.7%
Persons in Families	199759	6.8%	9.1%	12.1%	16.0%	20.8%	25.8%	31.5%	68.5%
Persons in Families With:									
Female Headed w/Children	21515	37.4%	43.8%	50.6%	58.2%	65.7%	71.4%	77.1%	22.9%
Householder 65 or Older	22277	1.8%	3.4%	5.7%	9.3%	12.8%	17.4%	23.1%	76.9%
Unrelated Individuals	27614	8.6%	12.2%	18.1%	24.9%	32.5%	40.5%	46.9%	53.1%
Male 65 or Older	1974	0.8%	2.7%	6.0%	11.5%	22.5%	33.6%	42.4%	57.6%
Female 65 or Older	6901	3.0%	6.4%	14.4%	26.3%	39.4%	52.3%	61.4%	38.6%

Source: 1983-4 SIPP Longitudinal Research File

TABLE 5: FAMILIES AND PERSONS UNDER INCREMENTS OF POVERTY AFTER COUNTING MONTHLY PRE-WELFARE INCOME

	COUNT BELOW PERCENT OF 1/12 ANNUAL POVERTY THRESHOLDS (THOUSANDS)								
	Total	<50%	<75%	<100%	<125%	<150%	<175%	<200%	200%<
FAMILIES AND UNRELATED INDIVIDUALS									
Total Families & UIs	90508	7601	9990	13246	17448	22243	27223	32101	58407
Total Families	62838	4452	5924	7751	10120	12786	15786	18931	43906
Families With:									
Female Headed w/Children	6677	2342	2733	3167	3644	4124	4569	4920	1758
Householder 65 or Older	9322	127	264	447	740	1090	1586	2086	7237
Families & UIs Receiving:									
Non-SSI Cash Welfare	3862	2805	3048	3232	3373	3458	3548	3605	257
Food Stamps	6629	3686	4469	5283	5904	6199	6340	6409	220
Public Housing	3725	1146	1397	1723	2125	2567	2980	3199	527
SSI	2937	909	1277	1734	2085	2282	2420	2498	439
Medicaid	7727	3620	4303	5032	5685	6089	6412	6629	1097
Any Means Tested	13863	4516	5717	7142	8632	9895	10925	11592	2271
No Means Tested	76645	3085	4273	6104	8816	12348	16298	20509	56136
PERSONS									
Total Persons	229027	19278	25644	33824	43874	55333	67437	79922	149106
Persons in Families	201356	16128	21577	28330	36546	45876	56000	66752	134604
Persons in Families With:									
Female Headed w/Children	21623	8057	9372	10850	12393	13876	15190	16312	5310
Householder 65 or Older	22010	366	815	1364	2102	3002	4224	5420	16589
Unrelated Individuals	27671	3150	4067	5495	7328	9457	11437	13169	14502
Male 65 or Older	1907	23	56	138	255	467	690	877	1030
Female 65 or Older	6821	233	428	980	1818	2804	3703	4277	2544

	CUMMULATIVE PERCENTS								
	Total	<50%	<75%	<100%	<125%	<150%	<175%	<200%	200%<
FAMILIES AND UNRELATED INDIVIDUALS									
Total Families & UIs	90508	8.4%	11.0%	14.6%	19.3%	24.6%	30.1%	35.5%	64.5%
Total Families	62838	7.1%	9.4%	12.3%	16.1%	20.3%	25.1%	30.1%	69.9%
Families With:									
Female Headed w/Children	6677	35.1%	40.9%	47.4%	54.6%	61.8%	68.4%	73.7%	26.3%
Householder 65 or Older	9322	1.4%	2.8%	4.8%	7.9%	11.7%	17.0%	22.4%	77.6%
Families & UIs Receiving:									
Non-SSI Cash Welfare	3862	72.6%	78.9%	83.7%	87.3%	89.5%	91.9%	93.3%	6.7%
Food Stamps	6629	55.6%	67.4%	79.7%	89.1%	93.5%	95.6%	96.7%	3.3%
Public Housing	3725	30.8%	37.5%	46.3%	57.0%	68.9%	80.0%	85.9%	14.1%
SSI	2937	30.9%	43.5%	59.0%	71.0%	77.7%	82.4%	85.1%	14.9%
Medicaid	7727	46.8%	55.7%	65.1%	73.6%	78.8%	83.0%	85.8%	14.2%
Any Means Tested	13863	32.6%	41.2%	51.5%	62.3%	71.4%	78.8%	83.6%	16.4%
No Means Tested	76645	4.0%	5.6%	8.0%	11.5%	16.1%	21.3%	26.8%	73.2%
PERSONS									
Total Persons	229027	8.4%	11.2%	14.8%	19.2%	24.2%	29.4%	34.9%	65.1%
Persons in Families	201356	8.0%	10.7%	14.1%	18.1%	22.8%	27.8%	33.2%	66.8%
Persons in Families With:									
Female Headed w/Children	21623	37.3%	43.3%	50.2%	57.3%	64.2%	70.2%	75.4%	24.6%
Householder 65 or Older	22010	1.7%	3.7%	6.2%	9.6%	13.6%	19.2%	24.6%	75.4%
Unrelated Individuals	27671	11.4%	14.7%	19.9%	26.5%	34.2%	41.3%	47.6%	52.4%
Male 65 or Older	1907	1.2%	2.9%	7.2%	13.4%	24.5%	36.2%	46.0%	54.0%
Female 65 or Older	6821	3.4%	6.3%	14.4%	26.7%	41.1%	54.3%	62.7%	37.3%

Source: 1983-4 SIPP Longitudinal Research File

Like the official rates, these pre-welfare poverty rates varied significantly among subgroups of the population. For families with children headed by a single female, the rate was 47.8 percent. Largely because of Social Security and Medicare, the pre-welfare poverty rate for families with a householder age 65 or older was only 4.3 percent. For unrelated elderly males it was six percent, and for unrelated elderly females, 14.4 percent. (24)

Table 6 shows that, after counting cash and non-cash public assistance - including Food Stamps, free and reduced-price school meals, housing subsidies, energy assistance, and Medicaid - the poverty rate for all persons falls 42 percent to 7.4 percent. The poverty rate of female-headed families with children is halved to 23.8 percent. For families with an elderly head, the rate drops to .9 percent; for unrelated males 65 or older, to 2 percent, and for unrelated females, to 6.1 percent. Table 7 displays monthly post-public assistance rates based upon one-twelfth of the poverty thresholds.

Yet poverty rates show only part of the picture. The rates would be the same if every poor person had an income $1 below poverty, or no income at all. Some measures of the depth of poverty are needed too. The same tables show that public assistance improved the status of those whose incomes remained below official poverty levels. Before any public assistance is counted, 9.5 percent of all persons had annual incomes under three-quarters of poverty. After public assistance, the figure was 3.6 percent. Before public assistance, 7.0 percent had incomes below half of poverty. After public assistance, the figure was 1.6 percent. This effect is even more pronounced for female-headed families. Before counting public assistance, 41.1 percent of female-headed families with children have incomes less than three-quarters of poverty. Counting public assistance, the figure was 10.1 percent. Before public assistance, 34.9 percent had incomes less than half of poverty. Counting public assistance, the rate under half of poverty was 3.8 percent.

Probably the most informative way to analyze the impact of public assistance on poverty is to look at what is called the poverty gap. This is the number of dollars it would take to raise the income of a person or group to the official poverty levels. Unlike simple counts of the number of people under poverty, the poverty gaps measure the degree of poverty of a person or group.

After counting all private income and social insurance, including Medicare, the entire poverty gap for all families and unrelated individuals who remained poor was $51.6 billion in the 1983-4 period of the SIPP longitudinal file. In other words, if all public assistance were distributed with maximum efficiency, it would have taken $51.6 billion to bring the poverty rate in the United States to zero, eliminating poverty. (25)

TABLE 6: FAMILIES AND PERSONS UNDER INCREMENTS OF POVERTY AFTER COUNTING ANNUAL INCOME FROM ALL SOURCES

	COUNT BELOW PERCENT OF POVERTY (THOUSANDS)								
	Total	<50%	<75%	<100%	<125%	<150%	<175%	<200%	200%<
FAMILIES AND UNRELATED INDIVIDUALS									
Total Families & UIs	90838	2162	4071	7441	12430	18043	23998	29676	61162
Total Families	63223	641	1696	3738	6922	10240	13740	17207	46016
Families With:									
Female Headed w/Children	6766	258	683	1610	2868	3831	4507	4998	1767
Householder 65 or Older	9411	14	32	89	319	669	1108	1717	7695
Families & UIs Receiving:									
Non-SSI Cash Welfare	4978	191	652	1596	2854	3601	4017	4302	676
Food Stamps	8790	410	1239	2818	4907	6398	7360	7971	819
Public Housing	3812	67	173	383	907	1474	2170	2784	1028
SSI	3262	7	79	211	634	1242	1723	2171	1091
Medicaid	9524	321	864	2051	3815	5288	6319	7157	2368
Any Means Tested	17711	789	1837	3754	6612	9306	11611	13306	4405
No Means Tested	73127	1373	2234	3687	5818	8737	12387	16370	56757
PERSONS									
Total Persons	227373	3670	8081	16927	30527	44300	58841	72816	154558
Persons in Families	199759	2149	5706	13224	25018	36504	48583	60347	139412
Persons in Families With:									
Female Headed w/Children	21515	803	2214	5357	9644	12564	14657	16147	5368
Householder 65 or Older	22277	31	76	232	986	1890	3095	4561	17716
Unrelated Individuals	27614	1521	2375	3703	5509	7797	10258	12469	15146
Male 65 or Older	1974	4	14	39	113	335	536	768	1206
Female 65 or Older	6901	60	136	422	1090	2027	3087	3970	2930

	CUMULATIVE PERCENTS								
	Total	<50%	<75%	<100%	<125%	<150%	<175%	<200%	200%<
FAMILIES AND UNRELATED INDIVIDUALS									
Total Families & UIs	90838	2.4%	4.5%	8.2%	13.7%	19.9%	26.4%	32.7%	67.3%
Total Families	63223	1.0%	2.7%	5.9%	10.9%	16.2%	21.7%	27.2%	72.8%
Families With:									
Female Headed w/Children	6766	3.8%	10.1%	23.8%	42.4%	56.6%	66.6%	73.9%	26.1%
Householder 65 or Older	9411	0.1%	0.3%	0.9%	3.4%	7.1%	11.8%	18.2%	81.8%
Families & UIs Receiving:									
Non-SSI Cash Welfare	4978	3.8%	13.1%	32.1%	57.3%	72.3%	80.7%	86.4%	13.6%
Food Stamps	8790	4.7%	14.1%	32.1%	55.8%	72.8%	83.7%	90.7%	9.3%
Public Housing	3812	1.8%	4.5%	10.0%	23.8%	38.7%	56.9%	73.0%	27.0%
SSI	3262	0.2%	2.4%	6.5%	19.4%	38.1%	52.8%	66.6%	33.4%
Medicaid	9524	3.4%	9.1%	21.5%	40.1%	55.5%	66.3%	75.1%	24.9%
Any Means Tested	17711	4.5%	10.4%	21.2%	37.3%	52.5%	65.6%	75.1%	24.9%
No Means Tested	73127	1.9%	3.1%	5.0%	8.0%	11.9%	16.9%	22.4%	77.6%
PERSONS									
Total Persons	227373	1.6%	3.6%	7.4%	13.4%	19.5%	25.9%	32.0%	68.0%
Persons in Families	199759	1.1%	2.9%	6.6%	12.5%	18.3%	24.3%	30.2%	69.8%
Persons in Families With:									
Female Headed w/Children	21515	3.7%	10.3%	24.9%	44.8%	58.4%	68.1%	75.0%	25.0%
Householder 65 or Older	22277	0.1%	0.3%	1.0%	4.4%	8.5%	13.9%	20.5%	79.5%
Unrelated Individuals	27614	5.5%	8.6%	13.4%	20.0%	28.2%	37.1%	45.2%	54.8%
Male 65 or Older	1974	0.2%	0.7%	2.0%	5.7%	17.0%	27.2%	38.9%	61.1%
Female 65 or Older	6901	0.9%	2.0%	6.1%	15.8%	29.4%	44.7%	57.5%	42.5%

Source: 1983-4 SIPP Longitudinal Research File

TABLE 7: FAMILIES AND PERSONS UNDER INCREMENTS OF POVERTY AFTER COUNTING MONTHLY INCOME FROM ALL SOURCES

	COUNT BELOW PERCENT OF 1/12 ANNUAL POVERTY THRESHOLDS (THOUSANDS)								
	Total	<50%	<75%	<100%	<125%	<150%	<175%	<200%	200%<
FAMILIES AND UNRELATED INDIVIDUALS									
Total Families & Uls	90508	3798	5720	9296	14255	19839	25436	30950	59558
Total Families	62837	1485	2609	4986	8220	11501	14851	18263	44574
Families With:									
Female Headed w/Children	6677	285	656	1629	2770	3682	4333	4801	1877
Householder 65 or Older	9322	12	40	150	393	751	1263	1845	7477
Families & Uls Receiving:									
Non-SSI Cash Welfare	3862	99	399	1242	2248	2847	3160	3368	494
Food Stamps	6629	428	944	2284	3912	5068	5681	6080	549
Public Housing	3725	90	185	459	910	1462	2112	2675	1050
SSI	2937	1	20	165	562	1101	1572	1976	961
Medicaid	7727	165	494	1565	3038	4278	5125	5807	1920
Any Means Tested	13863	712	1447	3192	5439	7491	9138	10441	3422
No Means Tested	76645	3086	4273	6104	8816	12348	16298	20509	56136
PERSONS									
Total Persons	229027	7350	12278	22396	35837	49690	63310	77085	151942
Persons in Families	201356	5037	9166	18088	29802	41352	52725	64398	136958
Persons in Families With:									
Female Headed w/Children	21623	895	2189	5613	9463	12372	14372	15858	5765
Householder 65 or Older	22010	27	90	417	1106	2056	3344	4780	17230
Unrelated Individuals	27671	2312	3111	4308	6035	8338	10585	12687	14984
Male 65 or Older	1907	9	20	53	172	380	591	811	1096
Female 65 or Older	6821	76	135	429	1101	2158	3188	4013	2807

	CUMULATIVE PERCENTS								
	Total	<50%	<75%	<100%	<125%	<150%	<175%	<200%	200%<
FAMILIES AND UNRELATED INDIVIDUALS									
Total Families & Uls	90508	4.2%	6.3%	10.3%	15.7%	21.9%	28.1%	34.2%	65.8%
Total Families	62837	2.4%	4.2%	7.9%	13.1%	18.3%	23.6%	29.1%	70.9%
Families With:									
Female Headed w/Children	6677	4.3%	9.8%	24.4%	41.5%	55.1%	64.9%	71.9%	28.1%
Householder 65 or Older	9322	0.1%	0.4%	1.6%	4.2%	8.1%	13.5%	19.8%	80.2%
Families & Uls Receiving:									
Non-SSI Cash Welfare	3862	2.6%	10.3%	32.2%	58.2%	73.7%	81.8%	87.2%	12.8%
Food Stamps	6629	6.5%	14.2%	34.5%	59.0%	76.4%	85.7%	91.7%	8.3%
Public Housing	3725	2.4%	5.0%	12.3%	24.4%	39.2%	56.7%	71.8%	28.2%
SSI	2937	0.0%	0.7%	5.6%	19.1%	37.5%	53.5%	67.3%	32.7%
Medicaid	7727	2.1%	6.4%	20.3%	39.3%	55.4%	66.3%	75.2%	24.8%
Any Means Tested	13863	5.1%	10.4%	23.0%	39.2%	54.0%	65.9%	75.3%	24.7%
No Means Tested	76645	4.0%	5.6%	8.0%	11.5%	16.1%	21.3%	26.8%	73.2%
PERSONS									
Total Persons	229027	3.2%	5.4%	9.8%	15.6%	21.7%	27.6%	33.7%	66.3%
Persons in Families	201356	2.5%	4.6%	9.0%	14.8%	20.5%	26.2%	32.0%	68.0%
Persons in Families With:									
Female Headed w/Children	21623	4.1%	10.1%	26.0%	43.8%	57.2%	66.5%	73.3%	26.7%
Householder 65 or Older	22010	0.1%	0.4%	1.9%	5.0%	9.3%	15.2%	21.7%	78.3%
Unrelated Individuals	27671	8.4%	11.2%	15.6%	21.8%	30.1%	38.3%	45.8%	54.2%
Male 65 or Older	1907	0.5%	1.0%	2.8%	9.0%	19.9%	31.0%	42.5%	57.5%
Female 65 or Older	6821	1.1%	2.0%	6.3%	16.1%	31.6%	46.7%	58.8%	41.2%

Source: 1983-4 SIPP Longitudinal Research File

In fact, SIPP found $59.2 billion in means-tested benefits reported for the same period. But, as Figure 8 shows, only about 55 percent of this $59.2 billion actually went to close the poverty gap, which remained $19.1 billion even after all means-tested benefits were counted. (26)

Female-headed families with children had a pre-welfare poverty gap of $21.9 billion, 42 percent of the gap for the entire population. This group received $24 billion in means-tested benefits, 41 percent of all the benefits captured by SIPP. Yet a poverty gap of $4.1 billion remained.

The pattern for the elderly is similar. Before any public assistance is counted, it would have taken $2.9 billion to reduce their poverty rate to zero. The elderly benefitted from $10 billion in public assistance. Only 22 percent of this aid reduced poverty, but that closed their poverty gap to about $.75 billion.

As the Bureau of the Census has found in its Technical Paper series on estimating the values of non-cash benefits, the poverty rates overall, and especially for groups targeted for aid, are much lower when non-cash benefits are counted. Though it doesn't achieve its effect very efficiently, the public assistance system, counting non-cash benefits, has a large impact on poverty. Even those who remain poor are better off. Public assistance has a larger effect upon the poverty gap (down 63 percent) than on the poverty rate (down 42 percent).

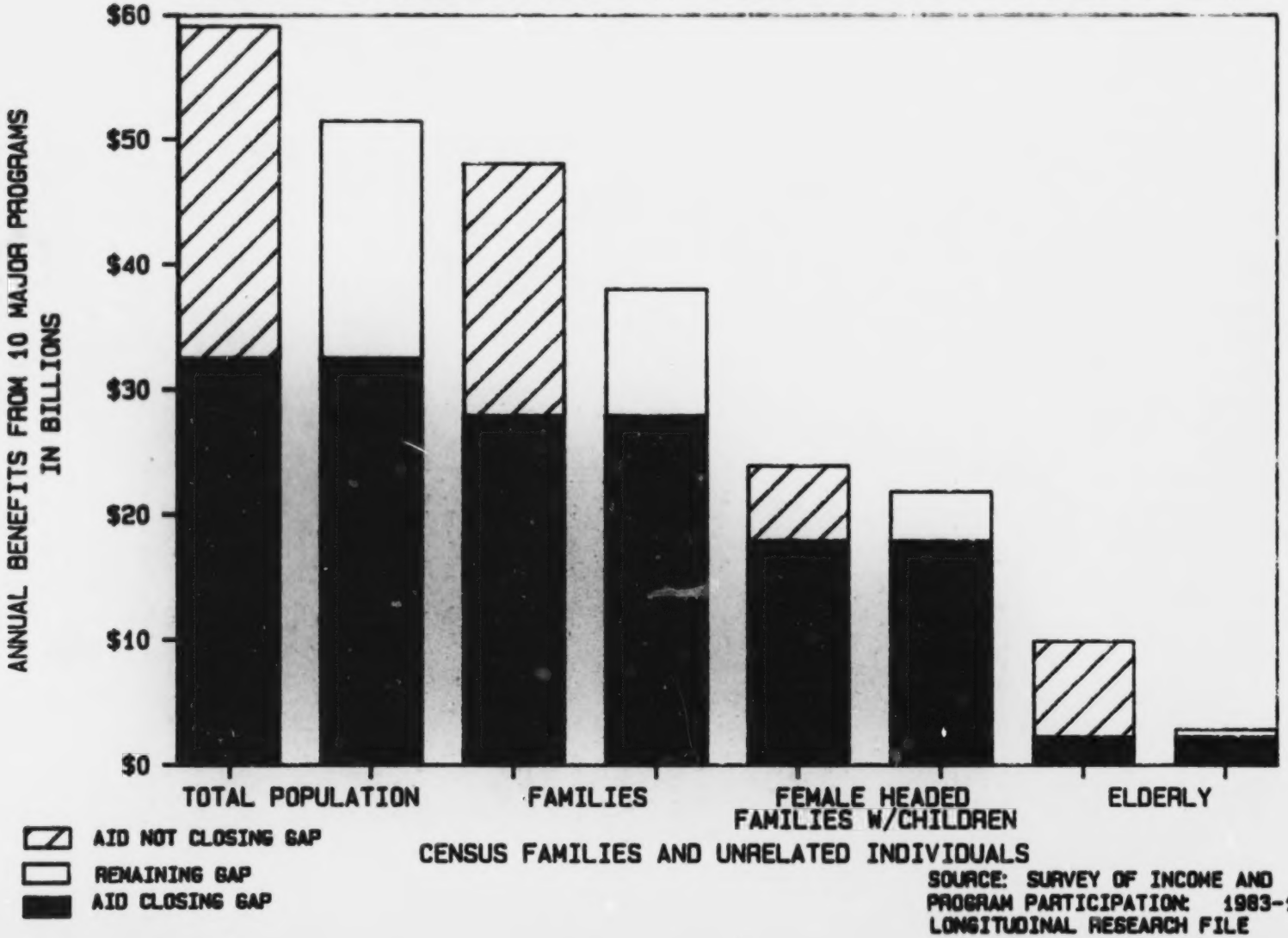
However, because social insurance and welfare influence the behavior of individuals, the effects of program benefits on poverty are overstated. Any government transfer will increase what has been termed "market income poverty" even while it reduces post-transfer poverty. Market income is all income generated by the private market economy. The extent to which public assistance benefits may reduce private sector work effort or alter family structure is discussed in another volume of this report. Social insurance, to some unknown degree, also reduces the amount of private income which otherwise would be earned, or saved, and influences living arrangements. Depending on the size of these effects, the effectiveness of transfers in reducing poverty is overstated.

Effects of Public Assistance on the Income of Recipients

Overall, and for population subgroups, some gap remains, even after more than enough public assistance is provided to fill it and bring the poverty rate to zero. Some portion of those remaining gaps clearly do not represent need in the usual sense. As discussed above, failure to capture all income in surveys makes the gap look larger than it is. An additional factor to keep in mind when considering the poverty gap left after public

FIGURE 8

EFFICIENCY AND EFFECTIVENESS OF BASIC PUBLIC ASSISTANCE IN CLOSING THE POVERTY GAP



SOURCE: SURVEY OF INCOME AND PROGRAM PARTICIPATION: 1983-1984 LONGITUDINAL RESEARCH FILE

assistance is that some portion of people eligible for aid choose not to apply for it.

Since the 1960s, when public assistance programs were expanding, efforts have been made to reach out to those who were eligible for, but uninformed about, benefits. The largest public assistance programs are entitlement programs which have now been operating for more than two decades - including AFDC, SSI, Food Stamps and Medicaid. It is now much less likely that someone eligible is not participating out of lack of knowledge or access. For example, in spite of outreach efforts over many years, only about 60 percent of the total number of households income-eligible for Food Stamps actually participate. (However, some of those not participating have assets beyond the program's limits.) The inclusion of poverty gaps represented by those who elect not to participate in public assistance programs for which they are eligible understates the effectiveness of current assistance programs.

When looking at the poverty gaps, to correct for the fact that some people who are eligible for aid choose not to accept it, the poverty gaps of recipients can be isolated. Isolating the poverty gaps of recipients makes it possible to understand the effects of public assistance on the incomes of the people who actually receive it.

The pre-welfare poverty rate of those individuals and families with members receiving at least one means-tested benefit captured in the SIPP survey was 45.1 percent. As Figure 9 shows, the poverty gap was $41.9 billion. Including public assistance, the poverty rate fell sharply to 21.2 percent; a gap of $9.5 billion remained. In other words, about half the total post-welfare poverty gap of $19.1 billion is represented by those who receive some means-tested benefits and the other half by those who receive none.

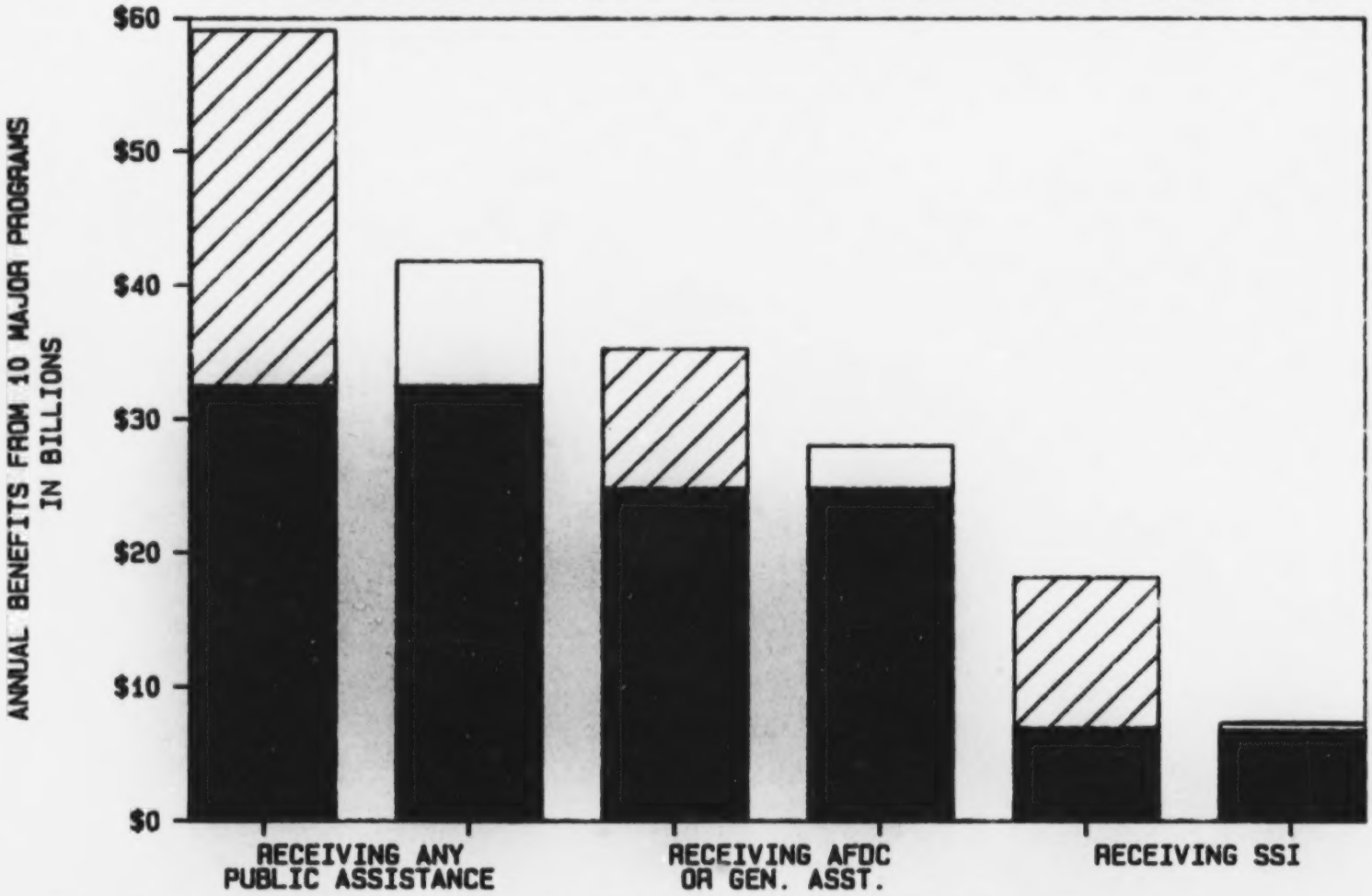
A look at specific welfare recipient groups shows similar patterns. The poverty rate for those individuals and families with members receiving SSI fell from 56.7 percent before public assistance to 6.5 percent afterwards - a reduction of about 90 percent. To have that effect, $18.2 billion in means-tested benefits went to close a $7.2 billion poverty gap, and a gap of $.3 billion remained.

Individuals and families with members receiving cash welfare benefits other than SSI (primarily AFDC) had a pre-welfare poverty rate of 77.7 percent. After counting all means-tested benefits (not just AFDC), their poverty rate was reduced by more than half to 32.1 percent. Meanwhile, their pre-welfare poverty gap fell from $28.1 billion to $3.3 billion as a result of $35.4 billion in means-tested benefits.

The Food Stamp Program aids many of the same people as the cash assistance programs. However, about 38 percent of all families

FIGURE 9

EFFICIENCY AND EFFECTIVENESS OF BASIC PUBLIC ASSISTANCE IN CLOSING THE POVERTY GAP



CENSUS FAMILIES AND UNRELATED INDIVIDUALS

SOURCE: SURVEY OF INCOME AND PROGRAM PARTICIPATION: 1983-1984 LONGITUDINAL RESEARCH FILE

and unrelated individuals receiving Food Stamps do not receive cash welfare. All Food Stamp recipients had a pre-welfare poverty rate of 71.4 percent. After counting all means-tested income, this rate declines to 32.1 percent. At the same time, the pre-welfare poverty gap for all families and individuals receiving Food Stamps was $36.1 billion. A total of $44 billion in cash and non-cash benefits reduced the poverty gap to $6.4 billion.

The same pattern emerges time and again. A population subgroup receives more means-tested benefits than it would take to raise every member up to the poverty line, yet some poverty gap remains. The reason is that not all the assistance received by the subgroup goes to reduce poverty. Reasons for this are the subject of the next sections.

The Tangle of Federal Administration

Each federal public assistance program is authorized and funded by the Congress of the United States, and administered by one or more agencies of the executive branch. Each program began with its own rationale, representing the intent of public officials to address a perceived need. But when the programs are considered as a system, they amount to a tangle of purposes, rules, agencies, and effects.

The tangle begins with the Congressional committees authorizing the programs. Each public assistance program has a committee in the House of Representatives and another in the Senate charged with authorizing its purposes and general rules. (27)

In the House of Representatives, most programs providing cash assistance for basic needs are under the jurisdiction of the Committee on Ways and Means. However, the roughly $4 billion in means-tested cash benefits for veterans, and their survivors, is authorized elsewhere, in the Committee on Veterans' Affairs. Cash payments to Indians are authorized in the House by the Committee on Interior and Insular Affairs, and payments to refugees by the Committee on the Judiciary. In the Senate, authorization of means-tested cash programs to cover basic needs is split between the Senate Finance Committee, the Committee on Veterans' Affairs, the Select Committee on Indian Affairs, and the Committee on the Judiciary.

Responsibility for authorizing federal food programs also is divided among many Congressional committees. Since food is one of the basic needs for which cash assistance is intended, the committees mentioned above as having oversight of means-tested cash programs must be included on the list of Congressional committees providing assistance for food. To the committees mentioned above, add the Committee on Agriculture, in the House, and the Committee on Agriculture, Nutrition and Forestry, in the Senate, which authorize most of the non-cash food assistance

TABLE 8

FY 1985 FEDERAL AND REQUIRED STATE SPENDING: BY AUTHORIZING COMMITTEE AND FUNCTION

COMMITTEE	TOTAL	CASH	FOOD	HOUSING	HEALTH	SERVICES	EMPLOYMENT	EDUCATION
	$132,177	$32,335	$20,409	$13,707	$48,632	$4,891	$3,952	$8,255
HOUSE								
Energy and Commerce	$44,900			$2,331	$42,426	$143		
Ways and Means	$30,626	$27,901				$2,725		
Education and Labor	$19,738		$5,821			$1,710	$3,952	$8,255
Agriculture	$14,588		$14,588					
Banking, Finance & Urban Affairs	$11,284			$11,284				
Veterans Affairs	$9,324	$3,931			$5,393			
Interior and Insular Affairs	$903	$67		$23	$813			
Judiciary	$749	$436				$313		
Appropriations	$69			$69				
SENATE								
Finance	$72,935	$27,901			$41,999	$2,725	$310	
Agriculture, Nutrition & Forestry	$20,409		$20,409					
Labor and Human Resources	$16,629			$2,139	$427	$2,168	$3,642	$8,255
Banking, Housing & Urban Affairs	$11,284			$11,284				
Veterans Affairs	$9,324	$3,931			$5,393			
Select Committee on Indian Affairs	$903	$67		$23	$813			
Judiciary	$436	$436						
Energy and Natural Resources	$192			$192				
Appropriations	$69			$69				

Includes all federal and required state spending under programs authorized by the committees.

programs. However, the Committee on Education and Labor authorizes the several billion dollars in subsidized school meals each year, the Title III nutrition programs for the elderly, the Head Start program (about $60 million for nutrition in FY 1985), and emergency food through the Community Services Block Grant ($20 million for food in FY 1984). Emergency food also is authorized for the Emergency Food Distribution and Shelter Program by provisions in appropriations legislation of the House Subcommittee on Housing and Urban Development and Independent Agencies.

Authorization of programs for housing assistance similarly is split among several Congressional committees. As with food assistance, cash aid to be used in part for housing is authorized by those committees with oversight of cash assistance programs. Most non-cash housing assistance programs are authorized by the Committee on Banking, Housing and Urban Affairs in the Senate, and the House Committee on Banking, Finance and Urban Affairs. However, the Committee on Interior and Insular Affairs of the House, and the Select Committee on Indian Affairs in the Senate authorize the Housing Improvement Program for reservations. The Committee on Energy and Commerce and the Committee on Education and Labor in the House, and the Committee on Labor and Human Resources in the Senate, authorize the $2 billion Low Income Home Energy Assistance Program, which helps offset the home energy costs of low income households. Health, education, training, and social service programs likewise are authorized by a multiplicity of committees, each with some expertise in the particular area of its programs, but none with responsibility for general oversight and coordination.

The Congressional tangle is complicated further in the administration of these programs at the federal executive level. The Department of Health and Human Services (HHS) administers the largest number of programs (17 in all) among the 59 major ones with individual means-tests. In particular, it administers the largest cash assistance programs, AFDC and SSI. However, other federal agencies administer means-tested programs providing cash benefits too. The Department of the Treasury administers the Earned Income Tax Credit program, which provides credits against tax liability and some $1.1 billion annually in direct payments, to family heads with low earnings. The Bureau of Indian Affairs within the Department of the Interior administers payments to Indians under a program which parallels many of the rules of the AFDC program in the state in which the reservation lies. The Veterans Administration administers pension programs that provide payments to needy war-time veterans.

Non-cash food programs are administered mostly by the Food and Nutrition Service of the Department of Agriculture. However, HHS administers the nutrition programs under Title III of the Older Americans Act, as well as CSBG and Head Start. The Emergency Food Distribution and Shelter Program, which provides federal funds to private, non-profit agencies for services for the

TABLE 9

FY 1985 FEDERAL AND REQUIRED STATE SPENDING: BY ADMINISTERING DEPARTMENT AND FUNCTION

FEDERAL DEPARTMENT	TOTAL	CASH	FOOD	HOUSING	HEALTH	SERVICES	EMPLOYMENT	EDUCATION
	$132,177	$32,335	$20,409	$13,707	$48,632	$4,891	$3,952	$8,255
Health and Human Services	$77,503	$27,237		$2,139	$43,239	$4,578	$310	
Agriculture	$20,514		$20,409	$105				
Housing and Urban Development	$11,179			$11,179				
Veterans Administration	$9,324	$3,931			$5,393			
Education	$8,255							$8,255
Labor	$3,563						$3,563	
Treasury	$1,100	$1,100						
Legal Services Corporation	$313					$313		
Energy	$192			$192				
Interior	$90	$67		$23				
ACTION	$79						$79	
Federal Emergency Mgmt Agency	$69			$69				

Includes all federal and required state spending under programs administered by the departments.

homeless, is administered by the Federal Emergency Management Agency (FEMA).

Four means-tested programs providing housing assistance are administered by the Department of Housing and Urban Development. The Farmers Home Administration of the Department of Agriculture administers several rural housing programs, including the Rural Rental Assistance Program. The Housing Improvement Program for reservations is administered by the Bureau of Indian Affairs within the Department of Interior. In HHS, the Low Income Home Energy Assistance Program helps low income households with their home energy costs, and the Community Services Block Grant provides some aid with emergency shelter needs. The Department of Energy administers a program providing housing related assistance as well, in the form of the Low Income Weatherization Assistance Program. And, as mentioned above, the Federal Emergency Management Agency provides for emergency shelter through the Emergency Food and Shelter Program.

Medical assistance programs are administered within HHS and the Veterans Administration. Means-tested employment and training programs are administered by HHS (Work Incentive Demonstration Program and Title IV-A work activities) and ACTION (Foster Grandparents Program and Senior Companion Program) as well as the Department of Labor. Education programs for low income students are administered by the Department of Education, HHS (Scholarships for First Year Students) and Interior (Higher Education Grants for Indians).

This tangle of federal administration sets the pattern. Means-tested assistance programs for the same purposes and for the same people are authorized by different Congressional committees and administered by different executive departments. Seven committees in the House of Representatives authorize and oversee public assistance programs which provide for food. Five separate federal departments and one independent agency, FEMA, administer them. Eight House committees authorize and oversee means-tested programs providing housing aid. Seven federal departments and FEMA administer them. The effects of this fragmentation upon the programs themselves and especially their interaction, are the next subjects for this report.

The Tangle of State and Local Administration

States and local agencies often try to overcome the federal tangle by using one local agency to deliver many programs. Nonetheless, a person seeking public assistance must face a daunting array of public and private institutions.

At the local level, the same agency, often a county welfare or social services office, usually administers both the AFDC and Food Stamp programs. The other main federal cash public assistance program, SSI, is administered through the same Social

Security Administration district and branch offices that administer the social insurance programs under Title II of the Social Security Act. These federal offices do not administer the Food Stamp Program, although some joint processing of applications is performed.

An application for AFDC or SSI constitutes an application for Medicaid, so most local administration of Medicaid overlaps those two programs. However, hospitals and other public and private sector institutions frequently make Medicaid referrals for medically needy persons.

Public Housing Authorities, usually a creation of municipal government, administer the large rental assistance programs under the federal Department of Housing and Urban Development. The parallel Rural Rental Assistance Program is administered directly by the operator of multi-family housing and the federal Farmers' Home Administration.

State and local Offices on Aging provide Title III services and nutrition benefits, including home delivered meals and congregate meals. Several low income assistance programs are administered from Community Action Agencies at the local level. These may include the Head Start, Low Income Home Energy Assistance, and Low Income Weatherization Assistance programs. Legal services usually are provided through their own local offices, much like services provided by private law firms.

School boards and local school administrations perform intake, eligibility determination, and financial record keeping for the National School Lunch Program. They perform similar functions for the School Breakfast Program. Training programs funded under the Job Training Partnership Act are administered by local service delivery area subcontractors of the state, usually local government. Program guidance at the local level is the function of Private Industry Councils, made up of representatives of industry and local government.

Assistance Units - Person, Family, and Household

The Social Security Act of 1935 provided for federal funds to help clearly defined categories of people unable to provide for themselves. As more and more programs have been created, this categorical nature of cash assistance has largely continued. Means-tested federal cash for basic needs is available to the aged, blind and disabled, to families with children, and now to Indians and refugees as well. About half the states also have programs of General Assistance for anyone, including able-bodied single adults and childless couples. However, from the beginning, federal funds were not available for such programs.

The growth in the number of federal non-cash programs has led to growth in the variety of groups targeted for assistance. A Child

Care Food Program is targeted for children in day care. Those in areas underserved by private health service providers are targeted for the Community Health Center Program. Migrant and seasonal farmworkers are targeted for training, health, and education programs. And, for the Food Stamp Program, Low Income Home Energy Assistance Program, and a growing number of smaller programs, any poor individuals or families may be eligible, without further categorical limitations.

In most cases the unit eligible for assistance - whether a disabled person, a migrant family, or a household preparing food in common - is related in some rational way to the purpose of the individual program. Considered as a system, however, the variety of assistance units for the different programs multiply administrative burden upon both recipients and program staff. They also can lead to unintended patterns of coverage and recipiency.

A chief example is the interaction between AFDC and the Food Stamp Program. It is not unusual for an adult female AFDC recipient to live with her parents. AFDC does not regard the grandparents as financially responsible for their adult daughter and her child, so she can qualify for AFDC payments whatever her parents' income (although the AFDC benefits may be reduced based upon proration of shelter costs). The Food Stamp Program, on the other hand, employs a household unit of eligibility. People who live and prepare food together are considered one unit whether they are related or not. The income of all household members is counted in determining Food Stamp eligibility and benefit levels. So the adult AFDC recipient in the example might not be eligible for Food Stamps because her parents' income would be considered. Although the facts that it is available to anyone poor with few assets, and has higher income eligibility levels, make the Food Stamp Program more liberal than AFDC, Food Stamp rules regard the income of each household member to be available for the purchase of food for all members. The AFDC program, on the other hand, does not assume so wide a responsibility of all household members for the others. The example illustrates the general point that the coverage of a program depends on who is included in the assistance unit (and have their income counted) as well as on the income eligibility levels themselves.

Even within each of the main types of assistance units - the person, the family, and the household - there is significant variation between the definitions used by different programs. Two of the larger programs using the household unit, the Food Stamp Program and the Low Income Home Energy Assistance Program, use slightly different definitions of household, depending upon whether food or home energy is purchased in common. The definition of `family' also varies from program to program. In some, such as some housing assistance programs, an elderly or handicapped person living by himself may be regarded as a family, but other single persons may not. In others, individuals with no

legal or biological ties who are living together may meet the program definition of family.

Welfare and the Family

The tangle of assistance unit rules surrounds one of the key issues of public assistance dependency. The primary assistance unit for AFDC is the single parent and child, usually a mother and child. The extent to which providing basic AFDC assistance to unmarried mothers and their children discourages formation of families continues to be hotly debated. The alarming increase in the number of poor families headed by never-married women fuels the debate.

Figure 10 shows, for a state with high AFDC benefits, how the amount of her income may vary, as a percent of poverty, if a young woman bearing her first child decides to marry or not. The first bar shows her income from basic welfare programs if she does not marry or work. The second and third bars show her public assistance income if she marries, but her husband is not employed. The taller bar includes benefits from an AFDC Unemployed Parent program, which the example assumes the state provides. The short bar in the middle shows the public assistance income if her husband cannot meet the UP requirements about recent attachment to the workforce. Since the example is to show a young woman faced with her first pregnancy, the middle bar probably represents a realistic expectation from welfare if she marries.

The two bars to the right show her income if she doesn't marry but obtains a full time job at minimum wages, and if she does marry and her husband finds such an entry level job. (The bar showing her working and single would be taller in the first four months of her employment, while the full AFDC earnings disregards are in effect.) If she understands enough of the public assistance system, these amounts of income might figure in her decision. She isn't much better off financially if she marries, and she may be worse off.

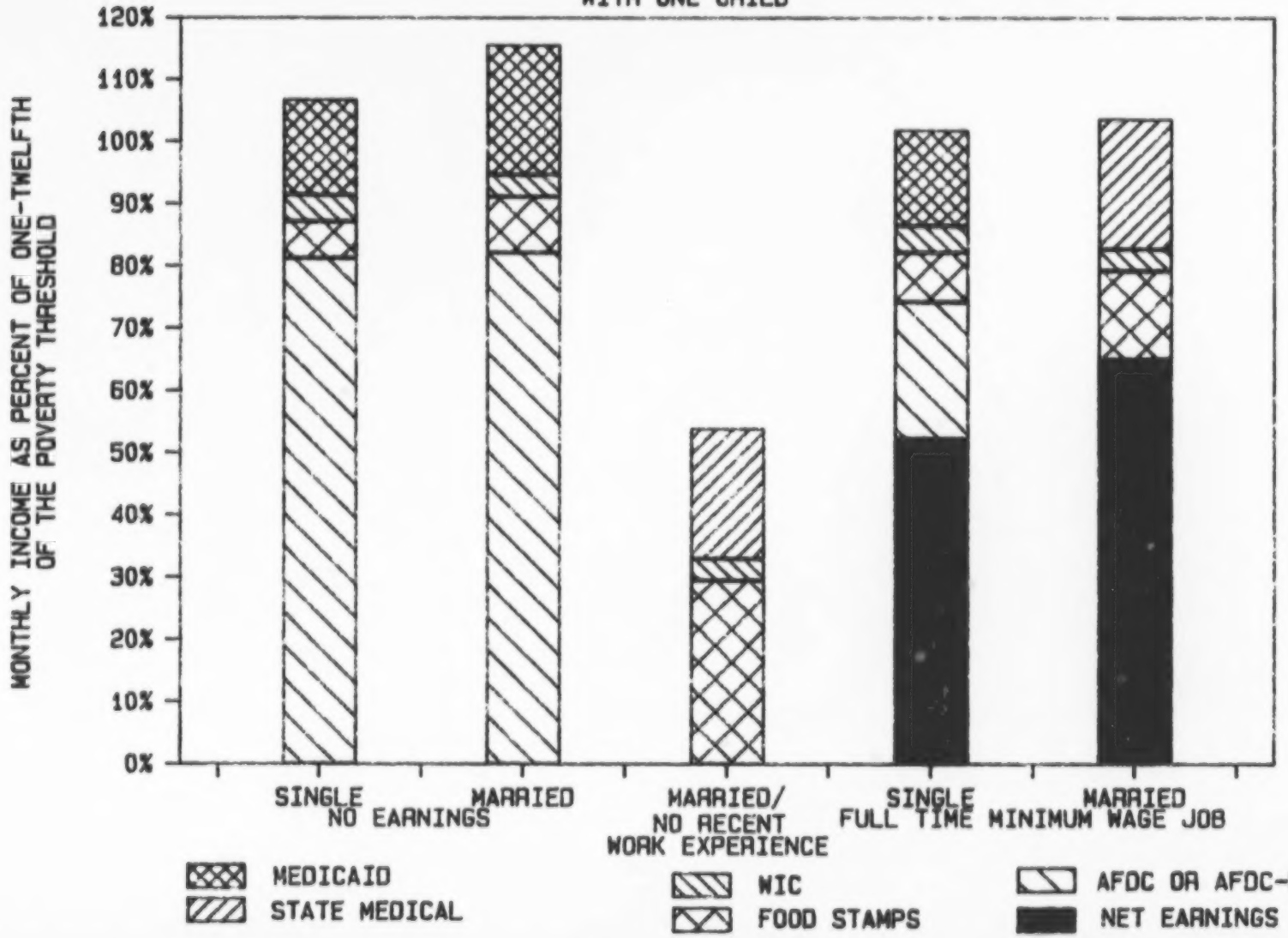
Advocates of more cash benefits for intact families have worried that the third bar is shorter than the first. The young woman in this example would seem to be forced to make a rational (at least in the short run) economic choice against marriage. However, as another volume of this report explains, the sophisticated income maintenance experiments of the 1970s actually found some decreases in family stability when the benefits for married couples were set much more like the second bar than the third.

What Figure 10 cannot show, but what may be of greater significance than the exact amounts represented by each bar, is how the greater security of the welfare income may enter into her decision. In comparison to a low paying job or marriage, welfare is a sure thing. Growing up around that point is concern that

FIGURE 10

BASIC BENEFITS TO SINGLE AND MARRIED

WITH ONE CHILD



the real harm to the family caused by the welfare system is not that it causes families to break up, but that it enables unmarried women to raise children without marriage or work.

Income Yardsticks

The maximum income allowed in a means-tested program can always be expressed in dollars. But the numbers of dollars allowed by the various programs are based upon a wide variety measures, or yardsticks, of supposed need. Some, like the poverty levels, are based upon an estimate of the costs of basic needs. Others, like median income, set income eligibility as a proportion of the income of an average family. As with other aspects of the public assistance system, a large variety of practices has grown up piecemeal.

Seven programs have maximum income eligibility set at the poverty income guidelines published each year by the Department of Health and Human Services. Twenty others set maximum income with reference to some multiple of the poverty guidelines, as high as 185 percent of poverty for reduced-price school meals and 250 percent of poverty for reduced-price family services. (No programs use the poverty guidelines to set limits lower than 100 percent of poverty.) By comparison, the median family income in the United States is about 300 percent of poverty. The TRIO education programs use 150 percent of the poverty thresholds of the Bureau of the Census, normally a statistical measure, rather than the poverty guidelines used by other programs.

Other programs use still other measures of living standards, in part due to dissatisfaction with the poverty measure, particularly its lack of variation by region. Housing assistance programs employ the median income of the area, usually a county, as their income maximums. State median income is used by the Low Income Home Energy Assistance Program.

Several low income training and employment programs administered by the Department of Labor still employ the Lower Living Standard Income Level (LLSIL), one of several market-basket estimates of living standards formerly produced by the Bureau of Labor Statistics. The LLSIL varied by region and within regions by urban areas. Since the series was ended in 1981, the LLSILs have been updated using the Consumer Price Index.

Additional standards are used to determine financial need for means-tested education assistance. The "expected family contribution" is calculated for applicants for the Pell Grant Program; it represents the amount of resources a family may be expected to contribute to higher education of a family member. For other education programs, similar guidelines provide for calculations of family contributions.

Each state sets its own income maximums for several key programs which require large matching outlays by states, in particular Aid to Families with Dependent Children and Medicaid. As a result, state AFDC income eligibility maximums bear no systematic relationship to the other program income standards discussed here.

Other income eligibility measures for low income programs are set at the discretion of grantees, subject to federal maximums. The block grants administered by HHS are chief examples.

None of the income measures used for federal public assistance programs is without flaws. No one measure is obviously the best to use for all programs. On the other hand, the use of so many yardsticks makes measuring real need that much more difficult.

Income Eligibility Levels

Having some yardsticks which measured in feet and some in meters would not be so bad if the distance they had to measure was always the same. However, it is the varieties in income maximums themselves, and especially what is counted as income and what is not, which create the worst anomalies of the public assistance system. This section describes the income eligibility levels permitted by the variety of means-tested programs. The following section will examine the bewildering variety of ways in which income is counted by assistance programs, as well as some of the unintended consequences.

As a general rule, programs with substantial monthly benefits, including AFDC, SSI, Medicaid, and Food Stamps, have relatively low income maximums. (28) These programs have detailed rules about what income must be counted and what disregarded. Eligibility and benefit decisions are subject to quality control review. Recipients classed as capable of self-support may be required to participate in training, seek work, or participate in work experience programs. In addition, some work expenses are deducted from income, and some earnings may be disregarded.

The older cash public assistance programs, AFDC and SSI (and its predecessors), tend to have the lowest income eligibility levels. Medicaid, which provides assistance to the same populations, may be put in the same group. (However, Medicaid permits states to provide benefits to those with net incomes up to one-third higher than the AFDC maximum payments for families of the same size if extraordinary medical expenses cause them to spend their incomes down to that level. At state option, the limit for those in medical institutions may be set at 300 percent of the SSI maximum.) Several other cash programs use the income eligibility levels of AFDC and SSI as well, including Foster Care, Adoption Assistance, Refugee Assistance, and Indian General Assistance. For FY 1985, the weighted mean of the maximum monthly payment standards for the states was about $360 for a family of three.

The maximum federal payment for a single SSI recipient was $325 per month.

The Food Stamp Program employs a maximum gross household income eligibility level of 130 percent of the poverty guidelines, about $959 per month for a family of three in FY 1985, though the net income level is 100 percent of poverty. Means-tested veterans' pensions had FY 1985 income and benefit maximums of $476 per month for a veteran, and $319 per month for a surviving spouse. Housebound veterans received benefits up to $582, those needing aid and attendance up to $761.

In programs with less substantial and regular benefits, maximum income eligibility levels tend to be higher, rules for counting income tend to become less elaborate and exact, and documentation requirements less extensive. With some exceptions, these programs date from, or underwent significant liberalization during, the late 1960s and 1970s. Public assistance for those called the "near poor" grew. The general line for identifying the "near poor" was 125 percent of the poverty levels. This rule is evident still in the eligibility levels of some programs, such as the Low Income Weatherization Assistance, the Indian Housing Improvement programs, Senior Companions and Foster Grandparents programs under ACTION, Legal Aid, and predecessors to the Low Income Home Energy Assistance Program. It is evident as well in published poverty statistics. For example, the Statistical Abstract of the United States identifies families and persons with cash incomes below 125 percent of poverty, as well as those below 100 percent of poverty. (29)

Among other food programs, several for children - including School Lunch, School Breakfast, Child Care, and Special Milk - employ gross income levels of 130 percent of poverty for free food, and as high as 185 percent for reduced-price food. WIC may use up to 185 percent of poverty. The Temporary Emergency Food Assistance Program permits grantees considerable discretion in determining income eligibility levels.

Ambulatory health programs, other than Medicaid and veterans health programs, such as the Community Health Centers and Migrant Health Centers, provide free service to those with incomes under the poverty levels. Services at reduced fees may be received by persons with incomes up to twice the poverty level. The Family Planning Services Program also provides free services to those with incomes under poverty, and reduced-fee service up to 250 percent of poverty.

Some other health and social service programs allow a certain portion of those served to be above the income maximum. Others require that program services be targeted at those with incomes below poverty, without denying services to those with higher incomes. The Maternal and Child Health Block Grant, for example, requires that priority be given to recipients with incomes below poverty, but does not prohibit funding of services to others.

The Head Start Program permits 10 percent of a center's beneficiaries to have incomes above poverty. The Legal Services Program has 125 percent of the poverty guidelines as its income maximum, but allows exceptions when claims against a government program for the poor are involved.

Housing subsidy programs fall outside this general pattern in some respects. Although Public Housing is one of the oldest programs, and provides regular and substantial benefits, the maximum income levels are among the highest. New families entering the Section 8 and Low Rent Public Housing Programs generally must have incomes that are less than 50 percent of the area median. The benefit is regular and substantial. And the administrative process for eligibility determination and redetermination is not subject to the quality control of AFDC, SSI, Food Stamps, and Medicaid. However, the exception in some ways proves the rule. During the early years of the Public Housing Program, tenants met income eligibility standards to move into public housing, but paid the full operating cost of their apartment in rent. Although income eligibility levels were relatively high, there were no substantial rent subsidies. The operating subsidies date from the 1960s, and to the Brooke Amendments, which limited a tenant's rent to 25 percent of the tenant's countable income. The Section 8 program, begun in the 1970s, adopted similar rules. Subsidized housing can be seen as one of the programs liberalized during the period of the 1960s and 1970s. It did not raise its income eligibility levels, like other programs. Instead, additional subsidies were introduced to assist very low income households.

Counting Income

Most means-tested programs exclude certain income or resources from calculations of income eligibility, or disregard some income when calculating benefits. In some cases, such as the Food Stamp Program, and AFDC in some states, these exclusions result in assistance to households with gross income above poverty, but countable incomes at or below poverty.

Most of the exclusions fall into three general categories. First, some programs exclude a portion of earnings as an incentive for recipients to seek and keep employment. Second, income may be excluded because it is not considered available to meet the recipients' basic needs. Income used for extraordinary medical expenses is an example. Third, some income may be excluded due to requirements of some other federal statute. The most significant examples are the prohibitions against counting non-cash benefits as income. Some income exclusions fit more than one category, and some are hard to fit into any category. However, the categories provide generally useful groupings of the particular program exclusions.

As another volume of this report discusses, earnings disregards intended to act as work incentives have not been found by research to be generally effective. Nonetheless, such disregards remain in AFDC and SSI. After excluding a flat $75 per month for work-related expenses and up to $160 per month per child for child care expenses related to work, AFDC disregards the first $30 of earned income, plus one-third of the remainder. This deduction was permanent until 1981, but has since been limited to the first four consecutive months of earnings, with the first $30 deducted for an additional eight consecutive months. After 12 consecutive months of employment, deductions from earnings for expenses and child care may continue, but the earnings disregards end.

While aged, blind, or disabled recipients of SSI might not be thought likely to obtain or keep employment, about 3.5 percent of the total caseload had earnings in an average month in FY 1984. (30) Reflecting the greater physical difficulties which SSI recipients face when they obtain employment, and the lower expectation that they should become self-sufficient, the disregards for earnings are proportionately larger than for AFDC. The first $65 of earnings, plus one-half of the balance, is disregarded for aged SSI recipients. Blind recipients have all work expenses deducted from earnings. Disabled recipients receive deduction for expenses related to their disabilities.

The Food Stamp Program also contains exclusions for earnings which, while generally paralleling the AFDC and SSI exclusions, differ from them in most details. Deductions for child care expenses have a similar maximum of $160 per month. However, the Food Stamp Program provides a maximum total of $160, regardless of the number of children involved, and allows the deduction against any income. The AFDC deduction is $160 per month per child, and is permitted against earnings only. Another difference between the child care deductions in the two programs is when they occur in the eligibility calculation; the difference can have a significant differential effect upon the total amount of earnings disregarded.

Like AFDC, the Food Stamp Program allows a disregard of a proportion of earnings in addition to child care expenses. However, the proportion disregarded is different - 20 percent of earnings - and the deduction is taken as the first step in the calculation, before other deductions. The proportionate disregard is permanent for Food Stamps, unlike the one-third deduction in AFDC. The Food Stamp deduction is intended to cover work expenses other than child care, like the $75 AFDC deduction. Additionally, unlike AFDC, another "standard deduction" without a specified purpose, is allowed. This deduction is adjusted for inflation and was $98 in FY 1985. Since nearly all AFDC families also receive Food Stamps, deductions from earnings must be calculated for both programs for the same recipient families according to two different formulas.

Housing assistance programs have no specific earnings disregard, but do provide for deduction of child care expenses. Unlike AFDC and Food Stamps, which cap deductions, the housing programs permit deduction of any child care expenses necessary to enable a family member to work or further his education. (The amount deducted may not be in excess of the earnings.)

Exclusions of income which is unavailable to meet ongoing basic needs constitute a second type of exclusions with a similar confusing variety. Deductions for similar purposes can be found in different programs, but the exact formula and amounts of the deductions vary in most specifics.

Many programs permit deductions for some medical expenses. AFDC and SSI both provide categorical eligibility for Medicaid, precluding need for any medical deduction in most cases. However, some states have more restrictive Medicaid eligibility rules for SSI recipients. In those cases, medical expenses must be deducted in calculating countable income. Pensions for needy veterans exclude unreimbursed medical expenses in excess of 5 percent of the basic pension benefit rate. The Section 8 Housing Assistance Payments Program excludes reimbursement for medical expenses in calculating income eligibility, then excludes medical expenses of elderly families over 3 percent of gross income. Calculation of Food Stamp benefits excludes unreimbursed medical expenses beyond $35 per month, but only for elderly or disabled recipients.

Other exclusions of income which is not available for meeting ongoing basic needs (such as those for small and occasional amounts and some expenses for higher education or training) also vary from program to program. In addition, Food Stamps and the Section 8 and Public Housing programs permit what is termed a "standard deduction" when computing benefits. The deduction for Food Stamps currently was $98 per household per month in FY 1985. For the housing subsidy programs, the amount is $480 per year for each minor (other than a family head) or elderly or disabled member (plus $400 per year for an elderly or disabled family head). The purpose of these "standard deductions" is not explicit, but the effect is to eliminate this income from calculation of the amounts available for food and housing costs. (31)

Unlike other income exclusions, relative consistency can be found with the third type - exclusions based in other federal statutes. Statutes authorizing the largest non-cash programs require that the value of their non-cash benefits be ignored when determining the need of persons or families for other program benefits.

With certain exceptions, means-tested benefit programs all determine the eligibility of persons or families and the amount of assistance by starting with a count of all cash income received, including cash public assistance. As a rule, none of the programs take into account the amounts of non-cash assistance

already received. (32) The practice parallels the practice of omitting the value of all government non-cash transfers from the income counted in estimating the official poverty rates. Use of the official poverty count as a general indication of the level of national need for low income program spending ignores substantial spending for non-cash benefits which reduce that need. A similar distortion takes place on the individual case level when the need of the person or family for program benefits is determined without regard to the other non-cash income received from means-tested government benefit programs.

The practice of ignoring non-cash benefits when determining eligibility and benefits for other programs usually is required by the laws of the individual non-cash assistance programs. Among those programs whose authorizing statutes include general prohibitions from counting their benefits as assistance are the Food Stamp, WIC, school breakfast and lunch, Low Income Home Energy Assistance, and housing subsidy programs. (33) These federal exclusions exist for several reasons. Most means-tested programs providing non-cash benefits are funded entirely by federal funds. Since states have been required to match federal funds in AFDC (technically, the federal funds have matched state expenditures), concern has been expressed that a practice of permitting cash public assistance programs to count the value of non-cash benefits would lead to lower cash public assistance benefits (partially funded by state governments) and a shift in the burden of public assistance funding more onto the federal government. Another reason for some prohibitions, such as those against counting non-cash benefits for education or training, or medical benefits for extraordinary expenses, may have a logic similar to the exclusion of cash income used for those purposes. The income is not available for meeting ongoing basic family needs.

As long as nearly all public assistance was provided in cash, and receipt of several types of non-cash benefits was rare, sufficient coordination could be attained by having the non-cash programs set their benefit amounts based upon cash income. Now that most means-tested assistance benefits are non-cash, rather than cash, the consequences of this practice are a systematic bias against uniform treatment of families by the system of programs taken together, and, to a lesser extent, instances where benefits from programs combined can exceed the amounts intended or justified.

To illustrate, consider an example using AFDC, Food Stamps, and housing assistance through the Section 8 program. Two families of similar composition have identical AFDC grants of $300 per month. One family also receives a housing subsidy of $200 per month. Both families receive Food Stamps, which, combined with 30 percent of the countable income of the families, should be enough to purchase a nutritionally adequate diet, as set out in the Thrifty Food Plan. However, the Food Stamp Program does not count the housing subsidy; it regards the households as having

identical incomes of $300. The families would be eligible for coupons of equal value, worth about $120 each month, despite the fact that, not counting the Food Stamps, the total income of one family was 40 percent higher than the income of the other.

An unfortunate result of the practice of ignoring the value of benefits in-kind is that $1 of some forms of program benefits may be worth more that $1 of cash earnings to a family. For example, a family earning $200 probably will have its Food Stamp benefits reduced by some portion of that $200 (depending upon deductions and other income). On the other hand, an otherwise similar family receiving $200 of housing subsidy will receive more Food Stamps than the first family, since none of the $200 subsidy is regarded by the Food Stamp Program as countable income. The fact that $1 of non-cash public assistance benefits can be worth more than $1 of earnings to families applying for benefits from other public assistance programs is an unintended consequence of the proliferation of non-cash benefit programs with statutory restrictions against counting their assistance as income.

This failure to count means-tested non-cash income constitutes a growing anomaly in the public assistance system. The federal component has grown so large and complex that federal programs providing benefits of large value now ignore each other. Family, community, charity, and government all look into the cup of those in need to see how full it is, then add another measure. When federal cash welfare began, it looked in last and added last. However, non-cash programs, the last established and fastest growing, look only at the cash in the cup, not at one another. Whatever disagreements there may be about the size of the cup or the best way to fill it, it is clear that the current uncoordinated way federal means-tested programs go about trying to fill the cup is inefficient and ineffective.

The Tangle of Benefits

The multiplicity of public assistance programs has made it the rule, rather than the exception, that a family or individual will receive benefits from more than one program. (34) The varieties of assistance units, income measures, income eligibility levels, and rules for counting income are problematic by themselves. However, with recipients typically participating in more than one program, the combined effect of the variety is to make the jobs of program staff more difficult and error prone, and the workings of the system mysterious to recipients. The number of programs, complexity of rules, and tangle of administration also have made it inevitable that aid will not go efficiently to where it is needed most.

Multiple recipiency is especially common for those families and individuals who benefit from the basic needs cash programs, AFDC and SSI. Recipients of AFDC, and most recipients of SSI, are categorically eligible for medical benefits through Medicaid. In

an average month, approximately 82 percent of the individuals and families with members receiving non-SSI cash public assistance and 45 percent of those receiving SSI also receive Food Stamps. So it is the rule rather than the exception that recipients of AFDC and SSI also benefit from at least two other public assistance programs providing non-cash benefits.

Due to this pattern of multiple participation, the large differences in the maximum AFDC payments among the states do not result in proportionately large differences in total income for AFDC families in those states. For example, in 1984, a mother and two children with no other countable income residing in a state with low AFDC benefits might receive an AFDC benefit of $120 per month, while a similar family residing in a state with high AFDC benefits might receive an AFDC benefit of $550. The Food Stamp Program, on the other hand, sets a national standard. Two families of equal size, income, and other circumstances would be eligible to receive the same amount of Food Stamps wherever they live. If one family's countable income is much lower, due to lower AFDC benefits, that family's Food Stamp benefit would be higher ($192) than the Food Stamp benefit of the family with higher AFDC income ($63). If both families were assumed to receive school lunches, they would both receive free lunches, not reducing the income gap between them in dollars, but reducing it a little more proportionately. Counting the insurance value of Medicaid for each family probably would reduce the proportionate difference in total income even further. Their incomes now would be about $456 for the family in the low AFDC state and $756 in the high AFDC state. The difference in their incomes would drop from $430 counting only AFDC, to $300 with all the other benefits. Proportionately, while the low AFDC benefit was only 22 percent of the high AFDC benefit, the final benefit package in the low AFDC state was 60 percent of the package in the high AFDC state.

Participation in several non-cash programs makes a substantial difference in income. In an average month, SIPP found that individuals and families with members receiving non-SSI cash public assistance received, on average, $334 in cash aid. When assistance from non-cash means-tested programs was added, the total average public assistance income of that group rose to $722. Families and unrelated individuals reported receiving, on average, $244 per month from SSI. When non-cash means-tested benefits are included, the mean monthly public assistance income for this group was $502.

The other non-cash benefits reported by recipients of cash public assistance were not limited to Food Stamps and Medicaid. In an average month, 43 percent of the families with members reporting receipt of non-SSI cash public assistance to the SIPP also reported receiving benefits from a federal non-cash food program in addition to Food Stamps (either WIC or free or reduced-price school meals). Yet other food programs from which AFDC families may benefit, such as food programs for children in day care

arrangements, summer food programs for children, and the Temporary Emergency Food Assistance Program, are not captured by SIPP.

About one-quarter of the families with members reporting receipt of non-SSI cash public assistance also reported receiving subsidized housing benefits, primarily Public Housing or Section 8 Housing Assistance. While the SIPP Longitudinal Research File captured only about half the Low Income Home Energy Assistance payments made during the 1983-4 survey period, other sources estimate that nearly half of all AFDC households also benefit from LIHEAP at some time during the year. (35)

Recipients of SSI also receive other means-tested benefits. About one-fifth (21.9 percent) receive subsidized housing benefits. A similar proportion receive LIHEAP at some time during the year.

These examples represent only the larger public assistance programs providing benefits to cover one or more basic needs, such as food or shelter. Other smaller programs are not captured by SIPP. And benefits from social service, education and training programs, which make up about 13 percent of federal spending on public assistance, are not captured in the core SIPP questionnaire.

Where benefits from several programs are received by the same family, the benefits usually are intended to supplement each other. However, as with other elements of the system of means-tested programs, the patterns of supplementation vary without overall order or rationale. For example, AFDC is intended to cover basic needs. Medicaid benefits supplement AFDC in that states do not include the costs of basic medical services among the items in the needs standards they establish for AFDC families. So the AFDC cash benefit cannot be said to include funds to cover these basic medical services.

The manner in which Food Stamps supplement AFDC benefits is different. Food is included in every state's need standard. Food Stamps provide the difference between 30 percent of countable income and the cost of the Thrifty Food Plan diet. In other words, the Food Stamps combine with dollars included in the AFDC benefit for food. The Low Income Home Energy Assistance Program, which is intended to help low income households offset the costs of home energy, may be thought to supplement AFDC in a similar way, since state AFDC needs standards all include shelter costs.

Although the SSI program does not operate with a needs standard, the benefits are intended to address basic needs, and similar forms of supplementation by Medicaid, Food Stamps, and LIHEAP take place.

Still another type of supplementation is to be found in the Community Health Centers program. The centers use their own funds to make up the difference between the cost of providing service in an underserved area, and the payments received from recipients, or on their behalf by medical benefits programs. In this way, CHC funds may be used to supplement Medicaid funds in providing health care to low income persons in underserved areas.

The excess shelter allowance in the Food Stamp Program is an example of yet another sort of supplementation. It deducts shelter costs in excess of one-half of adjusted income. The effect of the deduction is to make the household eligible for food coupons of larger total value. The allowance acts as a housing subsidy to those with especially high shelter costs.

In the examples in the preceding paragraphs, although more than one program is providing benefits to the same families (in the case of Food Stamps and AFDC, even for the same purposes), the total amount of assistance provided is coordinated by program rules. For example, the Food Stamp Program rules consider the amount of the AFDC grant before determining how much supplemental help will be provided for food. However, as a general rule, in determining eligibility or benefit amounts, the programs do not take into account the non-cash public assistance benefits a family or person may be receiving. A difficult variety of the general inefficiency of this practice can occur when a family receives non-cash benefits from two or more programs for the same purpose.

For example, during an average month of the 1983-4 SIPP period, about 1.2 million families with members receiving non-SSI cash public assistance also received non-cash food benefits from two programs, and about 130,000 received benefits from three such food programs. Besides Food Stamps, these non-cash food programs captured by SIPP are the National School Lunch and Breakfast programs, and the Special Supplemental Food Program for Women Infants and Children (WIC). The Food Stamp Program is designed to provide coupons which, in addition to 30 percent of the recipient household's countable income, will purchase a nutritionally complete diet. The National School Lunch Program provides, free or at reduced price, balanced meals constituting one-third of the Recommended Dietary Allowance for children. WIC provides supplemental foods determined to be lacking in the diets of pregnant, breast-feeding and postpartum women, and in the diets of infants and children. Each program takes into account the cash income of applicants in determining eligibility. None of them adjusts eligibility or benefit amounts based upon participation in any of the others.

By legislative intent, Food Stamps plus 30 percent of countable income provide for all meals for all family members. School lunches and breakfasts provide for some of the same meals for school-aged children in the family, and WIC provides foods valued at about half the Thrifty Food Plan for pregnant and breast-

feeding women, infants and children. Recipients of two non-cash food benefits, in addition to non-SSI cash public assistance, received an average of $225 each month in non-cash food benefits. The small number of somewhat larger families with three non-cash food programs averaged $327.

The overlap of food benefits is complicated further by receipt of benefits from the Child Care Food Program, the Commodity Supplemental Food Program, and the Temporary Emergency Food Assistance Program, which SIPP does not capture. The Child Care Food Program usually would not be received by children receiving benefits under the School Lunch program. And recipients of the Commodity Supplemental Food Program are not eligible for WIC. But, in other respects, these additional food programs also may be received by the same families described as receiving non-SSI cash public assistance, Food Stamps, school meals and WIC.

A similar lack of coordination can be found with the housing related assistance programs, Section 8 Housing Assistance, and the Low Income Home Energy Assistance Program. Like Food Stamps, the Section 8 program assumes that 30 percent of other countable income plus the subsidy will provide for the shelter needs of recipients, including rent and utilities. However, about ten percent of the households receiving energy assistance also receive housing subsidies.

Program Rules and Work

What is known from research about the effects of welfare upon work effort is discussed in another volume in this report. This description of the current system has made three points about work and public assistance programs considered as a system. First, if the benefits of the system as a whole are considered, public assistance provides substantial income - more than the wages from low paying jobs of the kind in which many people must start their working lives. Second, the rules of the system tell recipients they will have more income from non-cash benefits worth $200 than from $200 in cash earnings. Third, if a recipient does begin to work and bring home wages, the earnings will affect his benefits in ways that are hard to describe and harder to understand. This section amplifies upon the third point. It cannot demonstrate the extent of the effects of the irrationality built into the current system's handling of earnings. But it can try to give some appreciation of how mysterious the workings of the system must appear to recipients who are trying to work their way out of welfare.

Recipients of AFDC and Food Stamps receive the system's message that they should become self-sufficient in a number of ways. They may be required to participate in skills training or instruction in how to look for jobs, or may have to work at a community job for a period of time to gain the experience. At the same time, if they are AFDC mothers, they are told that they

do not have to participate if they have a child too young for school, even though they see other mothers not receiving public assistance who must work when their children are small.

In 1967 the Work Incentive (WIN) program set a national requirement that, unless they are exempt, able-bodied AFDC adult recipients register for, and participate in, training and work activities. Participation in WIN has always been low, however. Many AFDC recipients have been exempted, most frequently because a single parent had a child under six years of age. Many who do register are not assigned to activities. Under current mandatory registration rules, only about one-third of all adult recipients are subject to participation requirements. Only about 10 percent of those required to participate actually are involved in work-related activities.

Then in 1981, Title IV of the Social Security Act was amended to provide states with federal matching funds to operate employment activities outside of WIN. Title IV currently authorizes employment search (in which recipients make contacts with potential employers), community work experience (commonly called workfare, in which recipients perform work duties with public or private non-profit organizations), and diversion of the AFDC grant to help pay the wages of a recipient employed in the private sector. In addition, a national demonstration strategy has led to 26 states operating WIN programs under more flexible rules, with less federal reporting and a bigger role for state welfare agencies in coordinating work activities. Generally speaking, research has found that, unlike provision of work incentives through benefit reduction rates, work requirements have significant effects upon employment and welfare dependency. Another volume of this report discusses the results of research into these innovative work programs.

All able-bodied Food Stamp recipients (those not exempt because they have children under six, are already participating in a work program, or working at least 30 hours a week) are required to register for work. In FY 1986, 38 states chose to operate job search programs (not a requirement) for some of their Food Stamp recipients.

The Food Security Act of 1985 made major changes in Food Stamp work requirements. Beginning April 1, 1987, all states must operate work programs, which must include job search, job search training, workfare and work experience/training. The Secretary of Agriculture may require states to involve up to 50 percent of their non-exempt caseload.

Beyond these AFDC and Food Stamp requirements, recipients may be offered services, such as free child care, to make it easier for them to obtain and keep a job. And some of what they earn is not deducted from their benefits.

How does that last message about self-sufficiency come through? An earlier section discussed the various rules for earnings disregards. This section looks at the operation of those rules in two ways. First, the path of a single dollar of earnings is traced through the maze of rules. Second, the income of a typical AFDC family starting full time work in different states with different benefit packages is mapped out.

Under some circumstances, a program will reduce benefits $1 for every $1 of earnings. Under others, only a fraction of earnings will be offset against benefits. Sometimes earnings will be disregarded entirely, and the benefit continues as if the recipient did not work at all. At other times earnings will raise income above the maximum for eligibility, and benefits stop.

The system's effects upon one dollar of earnings can vary widely depending on when it is earned, and how much other income, earned or otherwise, the recipient has. In these examples, an AFDC family of a mother and two children is assumed to be receiving Food Stamps, Medicaid, and school lunches for one child. (36)

If the dollar is one of the first $30 earned, after deductions for expenses and child care, by the AFDC adult recipient with no other income in the first year of work, it has no effect on the AFDC grant. If, however, during the first four consecutive months of employment, the dollar is the thirty-first, after deductions for work expenses and child care have been taken, then the dollar reduces the family's AFDC grant by $.67, and the family is only $.33 ahead.

The same dollar, if it is the first one earned, may or may not affect the Food Stamp grant, depending upon whether the mother has child care costs, or excess shelter costs, and whether the earnings plus the AFDC grant amount to more than these deductions plus the "standard deduction," which, in 1984 was $95. If the AFDC grant and the first dollar earned are in excess of these deductions, the Food Stamp Program credits the family with a whole dollar of earnings, but $.67 less in AFDC, as explained above. Then 80 percent of that earned dollar is counted as income when calculating the Food Stamp benefit. Since 30 percent of the family's countable cash income is deemed to be available for food, the Food Stamp benefit is reduced by 30 percent of the $.80 of that dollar, or $.24.

However, the family may not lose $.24 in Food Stamps because of that dollar of earnings. If the AFDC grant had been reduced by $.67 by that dollar, that would be $.67 less in income the Food Stamp calculation would credit to the family, and 30 percent of that $.67, or $.20, would be added to the Food Stamp allotment due to the loss of the AFDC benefit. In that case, where the dollar earned was affected both by the "plus one-third" disregard in AFDC and the 20 percent disregard in Food Stamps, the net

difference is a gain of $.33 in cash and a loss of $.04 in Food Stamps, for a combined net gain of $.29. (36)

The first dollar with no other income would have no effect on Medicaid eligibility or benefits. Nor would the free school lunch a child receives be affected. However, an important variation on the effect of earnings are the so-called "notches" in current program rules, where an additional $1 of income can lead to a loss in benefits of far more than $1. One of the most discussed notches is the effect of earnings upon Medicaid coverage. Currently, if a family loses its AFDC benefit because the $30 plus of one-third disregard expires, that family must be eligible for up to nine additional months of Medicaid coverage. And, at the option of the state, it may be eligible for another six months of Medicaid. On the other hand, if the AFDC eligibility is lost because of an increase in earnings, rather than due to expiration of the disregard, the family is eligible for up to four additional months of Medicaid.

Other notches exist where programs provide full benefits to families or persons with incomes at or below some maximum, and no benefits to those with incomes $1 above such maximums. Few of these notches appear at the poverty level. Some programs, such as Low Income Weatherization Assistance Program, have income eligibility levels higher than the poverty level. Some programs, such as Head Start, which set eligibility at the poverty level, allow a certain percentage or category of participants to have higher incomes. This, combined with the practice of determining Head Start eligibility annually, means it is unlikely that a participant will have to withdraw from the program due to increases in family income. Generally speaking, the notches are scattered across a wide range of income.

This exposition has succeeded if it has created a sense of bewilderment about the complexity and irrationality of program rules for counting earnings. If the message the rules are to send is that people should become self-sufficient, the message is garbled.

The actual details of counting earnings might not be of much significance if the bottom line were clear to recipients. However, that is far from the case. As Figures 11 through 14 show, program rules lead an AFDC family (a mother and two children) benefiting from several programs over a path of financial peaks and valleys.

The step-like area on the bottom, shaded with lines, represents her earnings, after Social Security contributions and work-related expenses are removed. From steady, full-time work, she receives modest raises every six months. (38) The unshaded area directly above represents the value of public assistance benefits from programs listed in the sub-title. The sharp peak is the Earned Income Tax Credit refundable credit. Even as family earnings rise above the poverty level, benefits from some of the

FIGURE 11

WORK AND EXTENDED WELFARE: HIGH AFDC STATE

(AFDC, MEDICAID, FOOD STAMPS, SECTION 8, WIC, SCHOOL MEALS)

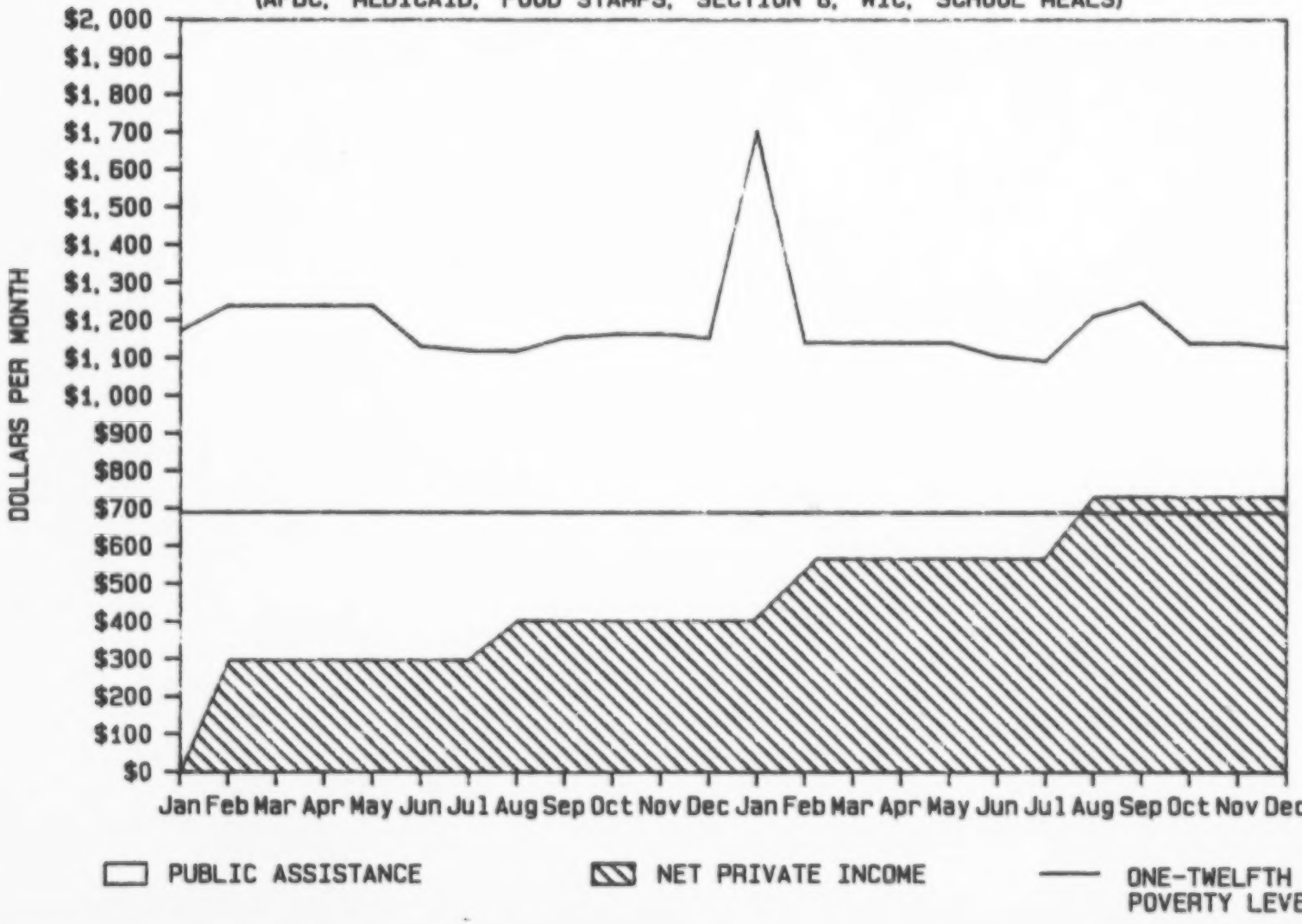


FIGURE 12

WORK AND BASIC WELFARE: HIGH AFDC STATE

(AFDC, MEDICAID, FOOD STAMPS, SCHOOL LUNCH)

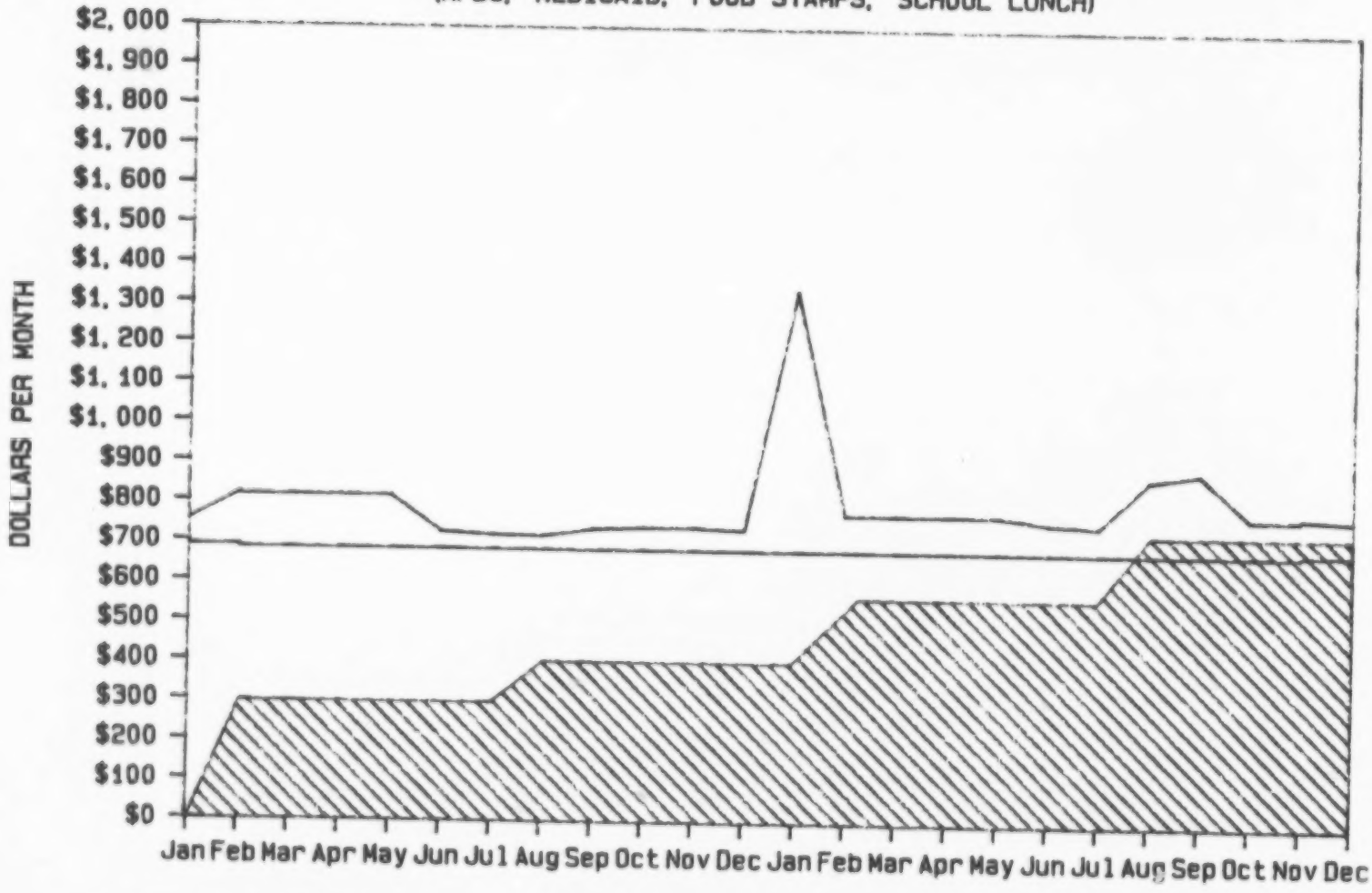


FIGURE 13

WORK AND EXTENDED WELFARE: LOW AFDC STATE

(AFDC, MEDICAID, FOOD STAMPS, SECTION 8, WIC, SCHOOL MEALS)

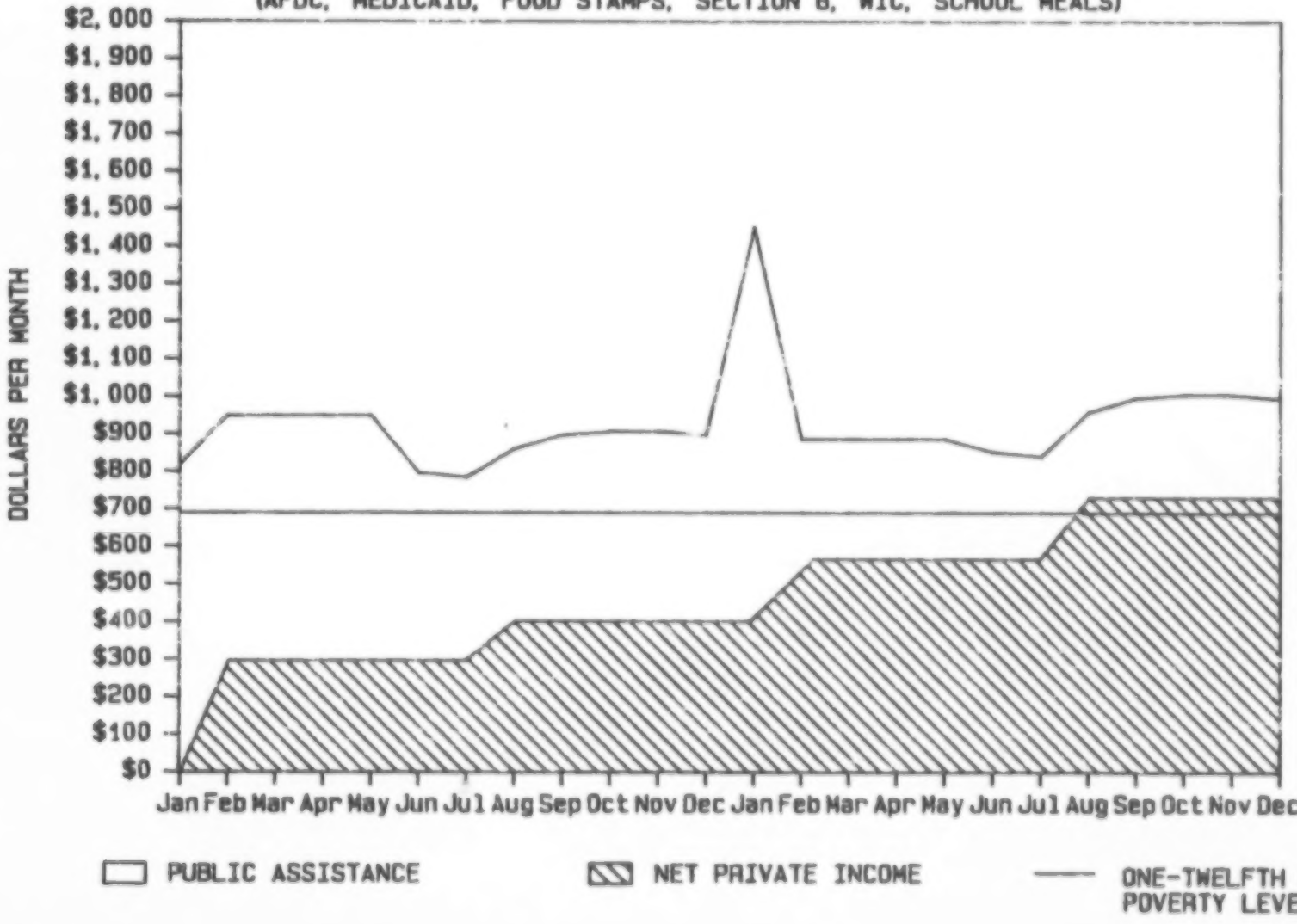
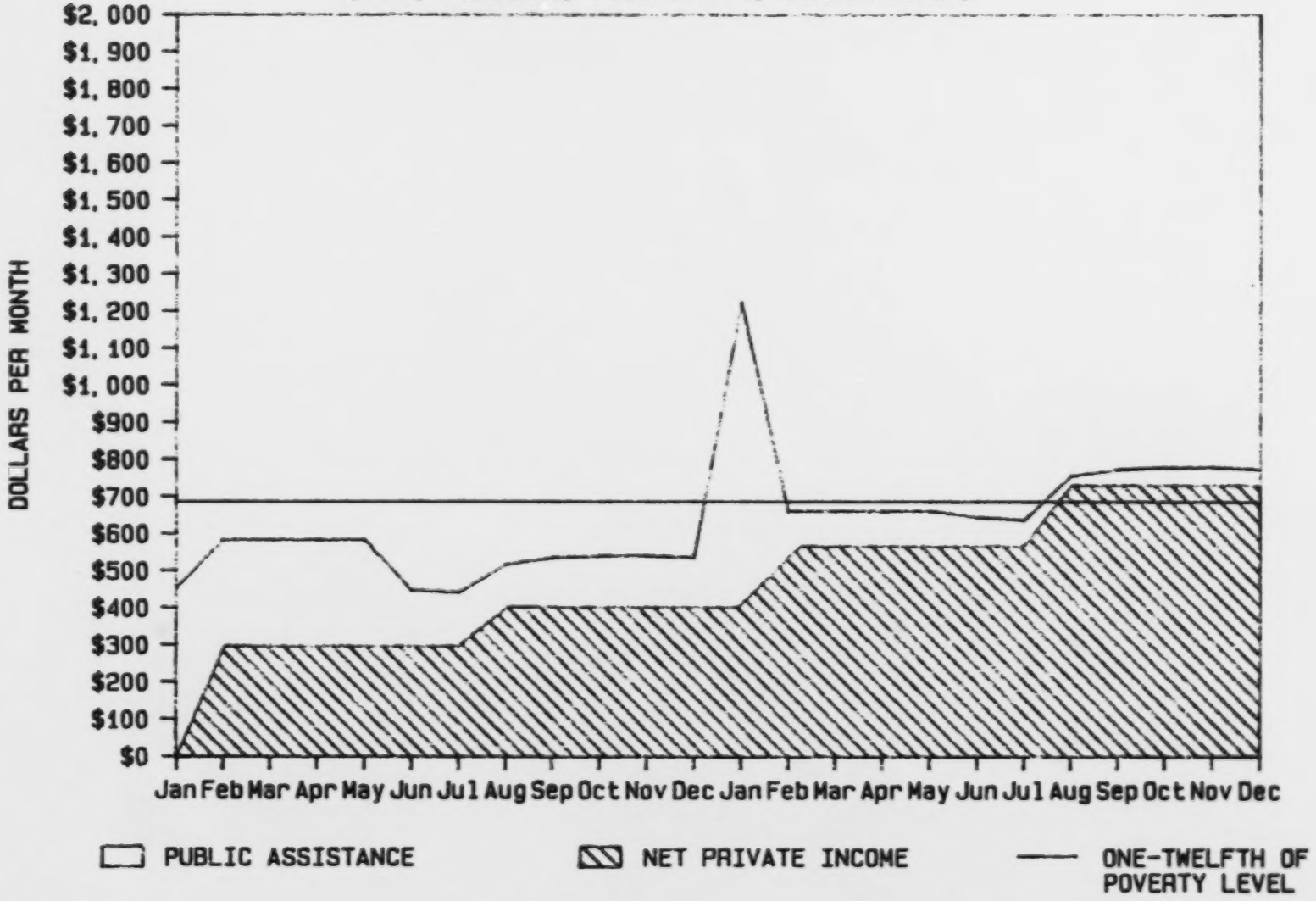


FIGURE 14

WORK AND BASIC WELFARE: LOW AFDC STATE

(AFDC, MEDICAID, FOOD STAMPS, SCHOOL LUNCH)



basic means-tested programs continue. Having worked their way out of poverty, they have still not worked their way off welfare.

The graph illustrating a basic package of welfare benefits in a state with low AFDC benefits shows that full-time work at the minimum wage is enough to make the family ineligible for AFDC. While the family has less income to begin, the benefits of work are more clearly evident to it. (39)

On the other hand, when the AFDC benefit is high, the family may receive relatively high earnings before it is ineligible for AFDC. So it may retain Medicaid longer too. The family in the graph with the highest benefits package also receives benefits from WIC, school breakfasts and subsidized housing. When the original package is so large, earnings may increase from nothing to nearly twice the minimum wage without an increase in total family income. If the message of how the rules treat earnings is garbled, the message of high benefit packages is not. In the short run, it makes very little difference in total income whether the recipient works or not. (40) This point is significant in light of research findings that, while benefit reduction rates, such as the $30 plus one-third, do not seem to have much effect in encouraging employment, higher benefit levels were associated with reduced work efforts in the income maintenance experiments of the 1970s. A discussion of these and related research may be found in another volume of this report.

Conclusion

This report began by mentioning the order of reliance - upon self and family, community, then government - upon which federal programs began to be appended in the period of the Great Depression. The number and size of these federal programs increased, especially in the past 25 years, until they have come to exercise a confused domination over the public components in this order. Non-cash benefit programs have grown especially, until now they constitute about three quarters of all means-tested assistance.

From mid-1983 to mid-1984, more than 52.5 million Americans benefited individually, or were members of families receiving benefits, from some part of this federal public assistance system. The total funding for the 59 major means-tested programs reached $132 billion in FY 1985. The effect of these programs upon the economic well-being of their recipients was substantial. After counting the market value of the means-tested cash, food, housing and medical benefits captured by SIPP, the general poverty rate was reduced by about 42 percent from a pre-public assistance level of 12.8 percent to 7.4 percent.

The effect upon poverty by the public assistance system was not achieved efficiently. Before any means-tested benefits were counted, it would have taken $51.6 billion to bring the general

poverty rate for noninstitutionalized Americans down to zero. In fact, $59.2 billion in means-tested benefits were reported received in SIPP. (Other federally supported means-tested benefits were not captured in SIPP.) However, a poverty gap of $19.1 billion remained because only 55 percent of these benefits went to reduce poverty. The rest was received by persons, families or households with income above poverty, either because their non-welfare income was above poverty, or because means-tested benefits brought them up to poverty, then pushed them above it.

Several reasons help explain why practically half of all public assistance does not go to reduce poverty. Most programs allow persons or families with countable cash incomes above poverty to qualify for benefits. Other programs allow deductions from gross income which bring recipients' countable cash income down until it is under poverty levels for purposes of determining program eligibility. And recipients typically receive benefits from several cash and non-cash programs, so that, although they may start out with cash income under poverty, after counting all income, they end up above. Finally, many recipients of means-tested programs live with other family members who have other income sources, and benefit from the economies of shared living arrangements.

The 59 major means-tested programs which constitute the public assistance system create these results with a dismaying variety of rules about assistance units, income measures and income levels and deductions. Each program's rules may be rational in isolation. As a system they constitute a confusing cacophony. Among their irrationalities is the practice of excluding practically all non-cash means-tested benefits from being considered in determining the need of families for additional means-tested benefits. This practice parallels the statistical practice of excluding non-cash benefits when determining the number of persons officially poor.

On top of an order of self-reliance, family support, community charity, and state and local public assistance has grown a federal component of great size. The federal component has introduced disorder, a wide array of rules and purposes without overall coordination, and a general practice of making programs blind to the effects of other non-cash programs. As a result America spends more than it would take to eliminate poverty entirely, and yet a residual poverty gap of $19.1 billion remains.

ENDNOTES

(1) This description of the public assistance system will use the terms `public assistance' and `welfare' to refer to programs with individual means-tests. A means-test is a determination that income and other resources are below some standard and is used as a condition of program eligibility. The report makes a distinction between major means-tested programs, called `public assistance,' or `welfare' here, and other programs targeted at low income people. The wider group of programs includes 31 other grant programs (including some smaller programs with means-tests and spending less than $20 million, and programs without means-tests but aimed at particular areas or groups regarded as needy), and 11 loan programs. Together, all these are called `low income assistance' in this report. The categories are not presented as absolute. The Special Milk Program, at $16 million, is included as a major means-tested program because past funding has exceeded $100 million. The Grants to Local Education Agencies program targets low income areas, then has an individual determination that an eligible student is "educationally deprived." The Section 235 and 236 housing programs were means-tested when they accepted the recipients currently receiving aid, although no new applications are being taken. The Social Services Block Grant consolidated funding for some programs which had means tests and some which didn't, and this pattern continues in programs funded under the current block grant. The Indian Health Service, while it provides services without an individual means-test, parallels Medicaid coverage for the Indian General Assistance recipient population not covered by Medicaid.

Table 1 lists the low income assistance programs. Several of the key major public assistance programs, including AFDC, Medicaid, and SSI require state spending. Unless noted, when the report refers to federal public assistance programs, these programs, funded by both federal and state dollars, are meant to be included along with programs funded wholely by federal dollars.

(2) Congressional Research Service Report No. 85-194 EPW states, "This report summarizes basic eligibility rules, as of mid-1985, for more than 70 cash and non-cash programs that benefit primarily persons of limited income." On the other hand, a GAO Factsheet, Needs-Based Programs: Eligibility and Benefit Factors GAO/HRD-86-107FS begins, "We identified 95 needs-based federal programs that collectively comprised the `welfare' system in fiscal year 1983."

(3) The Office of Policy Development invited the governors of the states to submit information about state and local spending on public assistance in addition to the state spending required by federal law and included in the totals for federally supported programs. Thirty-three states plus the District of Columbia and one territory provided information. A total of over $9 billion was identified. Three billion was spent on cash assistance, primarily General Assistance. Another $3 billion was identified by states as health-related. About $3 billion was reported as

being for other benefits, such as social services, food, housing and education. The classification of aid into these categories and the amounts of aid are all based upon the states' own definitions.

(4) The Bureau of the Census' Survey of Income and Program Participation (SIPP) is a household survey which began in 1983 with a sample of 19,900 interviewed households in the noninstitutional population. The sample, or panel, was divided into four parts, each of which was interviewed once in a four-month period, for a total of three times a year. During each of the three interviews, a household was asked detailed questions about demographics, income, and participation in government transfer programs. SIPP is designed to improve upon the coverage of other household income and program participation surveys by asking more detailed questions and by visiting the household every few months, rather than only once a year. For this report, the Bureau of the Census produced tables which, for the first time, linked data from the first full year of interviews. This 12-month file is regarded as still under review by the Bureau of the Census, and accordingly is titled a Research File. Nonetheless, it is the best data available on subjects central to this description of the current public assistance system.

As in any survey, SIPP is subject to non-response, underreporting, and recall problems. However, the program participation data in SIPP are clearly superior to those from the March Supplement to the Current Population Survey used to generate the official poverty statistics.

Upon request, the Bureau of the Census produced detailed tabulations with two accounting periods, monthly and annual. The annual tables were produced by fixing the composition of the SIPP household at the end of the 12-month interview period, then producing annual estimates by looking back over the year's experience for the members in the household at the end. This method was chosen to produce annual estimates of income, program participation, and poverty status by a method emulating that used for the official estimates generated each year from the March Supplement to the Current Population Survey. Tables according to the same specifications also were generated using weighted monthly averages from the 12-month period. For these tables, monthly poverty levels were assumed to be 1/12 of the annual poverty levels.

Upon request, the Bureau of the Census estimated the market values for non-cash benefits captured by the Longitudinal Research File. Other methods for valuation of non-cash benefits would have smaller effects upon the poverty rates and gaps. Issues related to the different methods of valuing non-cash benefits are discussed in: U.S.Bureau of the Census, Conference on the Measurement of Noncash Benefits, Proceedings...Volume 1, Washington, DC, 1986.

The market values of non-cash benefits were estimated according to methods and values nearly identical to those described in U.S. Bureau of the Census, Technical Paper 55, Estimates of Poverty Including the Value of Noncash Benefits: 1984, U.S. Government Printing Office, Washington, DC, 1985. The

non-cash benefits included were Food Stamps, free or reduced-price school meals, WIC, public or other subsidized rental housing, Low Income Home Energy Assistance, and insurance values for Medicare and Medicaid, adjusted for risk-classes, in the same manner as in the Technical Paper. Since the official poverty statistics and the SIPP statistics are derived from household sample surveys which do not represent persons in institutions (such as nursing homes), institutional expenditures were excluded from the total from which the insurance values of Medicaid were estimated. All the non-cash benefits valued in these SIPP tables are means-tested except Medicare.

Among the differences in the ways these benefits were valued in the Technical Paper and for the Longitudinal Research File are the following: monthly, rather than annual, estimates were created; benefits from WIC, free and reduced-price school breakfasts, and energy assistance are not included in the Technical Paper, since receipt of these benefits has not been captured in CPS throughout the Technical Paper time-series.

The combination of SIPP's shorter recall periods, more inclusive list of programs captured, and the estimates of the value of non-cash benefits create a database for making estimates of poverty gaps and rates in some ways superior to any available previously. However, it should be kept in mind that even this superior SIPP longitudinal database does not capture all actual income and program participation. Only about two-thirds of the $122 billion spent in FY 1984 on the 59 major means-tested programs discussed here was spent on programs which SIPP might capture. Allowing for administrative costs, the proportions of benefit income captured in the Longitudinal Research File is in the ranges of coverage estimates in Appendix D of the Series P-70 publication No.4, May 1985, by the Bureau of the Census. However, overall, $59.1 billion in means-tested benefits captured by the Longitudinal Research File is only a little more than half the amount spent on means-tested benefit programs for the non-institutional population.

(5) The "top" of the poverty gap is always the poverty thresholds. The gap is the difference between the other income a person or group receives and their aggregate poverty thresholds. If a family's or person's income amounts to more than the relevant poverty threshold, the poverty gap for that family or person is zero. The "bottom" of the poverty gap is the total of other income the person or group has. Depending upon the purpose of the comparison, it is reasonable to set the "bottom" of the poverty gap at any of several places. To determine that about $54 billion in social insurance reduced the poverty gap, the total poverty gap <u>before any social insurance was counted</u> was estimated. (This difference between the poverty thresholds and the <u>private income</u> of those whose private income left them below the thresholds is called the <u>pre-social insurance</u>, or <u>pre-transfer</u>, poverty gap.) Then the gap was measured after counting social insurance, including Social Security retirement and disability benefits, Railroad Retirement benefits, Unemployment Compensation benefits, and the market value of Medicare. The difference between the gap before counting social insurance and

after was $54 billion, the amount of the gap "closed" by social insurance. The total $51.6 billion poverty gap remaining after social insurance was counted represents the pre-welfare poverty gap. SIPP found that $32 billion in means-tested, or welfare, benefits went to close this gap. The remainder of this report concentrates upon the effects of public assistance upon reducing pre-welfare poverty rates and closing pre-welfare poverty gaps. Public assistance is provided only to those whose countable cash incomes, including cash social insurance, fall below program eligibility standards. Since welfare programs count social insurance income against eligibility levels, clearly, welfare is not intended to fill any part of a family's poverty gap already filled by social insurance. To measure the effects of welfare upon poverty gaps, all pre-welfare income, including social insurance, is counted in establishing the "bottom" of the poverty gap. A comparison of the pre-welfare gap with the gap remaining after public assistance benefits are counted, called the post-welfare poverty gap, provides a measure of effectiveness of the public assistance system.

The use of the prefixes `pre-' and `post-' in these discussions does not necessarily indicate a temporal sequence. For example, `pre-welfare income' does not necessarily mean income received before any welfare income is received. Rather, the prefixes indicate a logical order which generally reflects the rules of transfer programs. Social insurance retirement, disability and unemployment benefits are intended to replace lost earnings. Earnings by recipients may reduce the benefits received. Social insurance programs count earnings in this sense. Private income is called pre-social insurance, or pre-transfer income. Welfare programs ordinarily count cash earnings and other private income, as well as cash social insurance, in determining eligibility and benefit levels. Pre-welfare income discussed here generally is the kinds of income such welfare programs count before determining that an applicant is eligible for welfare benefits. However, the rules of the various programs are considerably more complex and precise than the summary statistical distinctions used in this report. For example, welfare programs do not count the value of Medicare social insurance in determining eligibility, except in the specific sense that particular medical services claimable under Medicare may not be claimed under Medicaid. In addition, non-cash welfare programs usually count cash welfare income in determining eligibility. So cash welfare may be pre-non-cash welfare income.

The distinction between the temporal sense of `pre-' and `post-' and the logical sense used here is especially significant with respect to annual data. A person may be eligible for social insurance or welfare benefits due to low earnings early in a year, but later have increased earnings making him no longer eligible. The analysis of the annual SIPP tables used here would describe the earnings received later in time as pre-transfer income. As a corrective, data also is provided based upon experience in an average month.

(6) In its documentation of the special tabulations used here, the Bureau of the Census described the means-tested programs

captured by SIPP as including: AFDC, federal and state SSI, state-funded General Assistance, Refugee Assistance, Food Stamps, free or reduced-price school meals, WIC, public or other subsidized rental housing, Low Income Home Energy Assistance, and Medicaid. On this basis, this report refers to 10 major means-tested programs captured by SIPP. However, several of these categories cover more than one of the programs in the list of 59. AFDC reported to SIPP may be Emergency Assistance for Needy Families. Free or reduced-price school meals includes the National School Lunch Program and the School Breakfast Program. Public of other subsidized rental housing could be Public Housing, Section 8 Housing Assistance, Rural Rental Assistance, or other programs. The SIPP tables also included a category of "other cash welfare." Means-tested benefits to veterans, their parents and survivors also should be included in a count of means-tested cash assistance. However, SIPP is not able to accurately distinguish means-tested veterans' benefits from other veterans' benefits. As a result, aggregate and average amounts of means-tested benefits, and particularly cash benefits, are understated due to the absence of the roughly $3.9 billion which such programs provide annually. On the other hand, SIPP captures some state-funded assistance not included in the 59 major federally supported programs. The largest of these state programs are the General Assistance programs.

(7) The following discussion refers to families with members receiving various kinds of means-tested benefits. It is important to note the difference between the definition of family used by the Bureau of the Census in its surveys, including SIPP, and the assistance units of the various means-tested programs. In the SIPP data employed here, a family is a group of two or more persons (one of whom is the householder) related by blood, marriage, or adoption, and residing together. All such persons, (including related subfamily members) are considered members of one family in this SIPP data. On the other hand, means-tested programs may provide assistance based upon the income and resources of individual persons. Other programs may base eligibility on the income and resources of families, or subfamilies, or, in some cases, households. So, for example, the SSI program may find an aged person eligible based upon his own income and resources, although he is living with his children whose income is well above the eligibility maximums. In that type of situation, the SSI benefit may be reduced by one-third as the amount of support the aged recipient is assumed to receive from living in the household of another. Considered with his own resources, the aged recipient is poor. When counted in SIPP, however, he is a member of a family which is not poor, and may in fact be far from poor. It is families according to this Census definition to which this report will be referring when it is discussing data from SIPP. For example, reference to families with members receiving AFDC will not mean exactly the families for which the AFDC eligibility determination is made. In some cases, families receiving AFDC include members not included in the AFDC assistance unit.

(8) The Bureau of the Census has found that large amounts of AFDC benefits apparently are reported as General Assistance or as unnamed cash welfare. To avoid a larger misrepresentation of the number, income, and program participation of AFDC families, the SIPP data was grouped by those families with members receiving any non-SSI cash welfare. Some families and individuals not receiving AFDC will be included in this group, most notably, some of the nearly one million recipients of General Assistance.
(9) Median estimates were interpolated from tables showing numbers with incomes between 25 percent increments of poverty.
(10) This pre-welfare poverty count classifies persons by whether their pre-welfare income, including the value of Medicare, is below the official poverty thresholds. For the same period, SIPP found 29.4 million persons poor counting, in the manner of the official poverty statistics, cash income from all sources, including welfare, but not counting any value for Medicare.
(11) In order to include information about all 59 major means-tested programs, and the income and characteristics of their beneficiaries, it was necessary to combine several sources of information covering several years. Ideally, all information about the programs and their effects would be current. In fact, the most current information available varied from source to source. Discussion of the rules of program operation are intended to represent current operations. However, even in this regard, some of the information may be obsolete if programs rules have changed over the past few months. One of the major recent legislative changes which is reflected in these pages is the change to the tax code. Information about the average benefits and numbers of recipients of particular programs generally correspond to federal fiscal year 1985. Information about the characteristics, income, and program participation of recipients of these programs is drawn from the 1983-4 Longitudinal Research File of the Survey of Income and Program Participation. Due to the staggered interview process, households included in the file were interviewed about their circumstances from July 1983 through September 1984, although information on any one household is for a 12-month period. The SIPP file data correspond most closely to federal fiscal year 1984. For that reason, sometimes comparative statistics from other sources will use the same reference period, even though FY 1984 was more than two years ago. Except as noted occasionally, the operations and interactions of programs have changed only marginally since FY 1984. In cases where expenditure patterns of the poor are described, the data is based upon 1981-1983 interviews from the Bureau of Labor Statistics' Consumer Expenditure Survey.
(12) Unless otherwise noted, references to program spending, benefits, and numbers of recipients employ FY 1985 data. The spending numbers are largely outlays. For school meals programs, Community and Migrant Health Centers, the Maternal and Child Health Block Grant, Family Planning, Head Start, and the Social Services Block Grant, totaling $8.6 billion, obligations rather than outlays are used. For education programs totaling $4.1 billion, amounts of budget authority or available aid are used where outlay numbers were not available. Spending for nutrition

programs includes the value of commodities provided, as well as cash outlays.
(13) `Countable income' is what remains from gross income after allowable deductions and disregards. The same gross income is counted differently by different programs.
(14) However, the estimate is a very rough one. Some administrative funds are included in that estimate. Information from 1981-3 interviews in the Consumer Expenditure Survey of the Bureau of Labor Statistics shows that families and persons with incomes under the poverty thresholds spent 24 percent, rather than 30 percent, of all expenditures upon food.
(15) The percentages were derived from AFDC Recipient Characteristics study data published by HHS for those years.
(16) Robert J. Myers, Social Security, 2nd Edition, McCahan Foundation, Bryn Mawr, 1981, p.648.
(17) Previously, care provided in ICFs was paid for as a living arrangement under the SSI predecessor programs.
(18) An unpublished paper, "The Dilemma of the Elderly Poor," by Michele Adler, drafted for Low Income Opportunity Working Group, summarizes research estimating that as many as one-third of elderly households officially poor may be ineligible for means-tested programs due to assets.
(19) The count of persons does not include members of unrelated subfamilies. They normally are included in the official poverty estimates based upon CPS. In 1984, 634,000 of the total 33,700,000 persons officially below the poverty levels were in unrelated subfamilies. About .3 percent of the 14.4 percent official poverty rate was attributable to that group.
(20) The relatively small changes in the poverty rates from year to year may mislead a reader into thinking that the only movement by people into and out of poverty is represented by the changes in the overall rates. In fact, the annual rates are snapshots of poverty. Comparisons from year to year are comparisons of net changes. The number who move from one side of the poverty line to another in a year is considerably higher than the net drop or increase in the overall number of poor.
(21) Since 1969, the poverty thresholds have been adjusted by the Consumer Price Index (CPI). However, the CPI has been criticized as not accurately reflecting the actual increase in the cost of living. For one, it measures the increase in the cost of a fixed market basket of goods and services and thus ignores the fact that households often substitute one good for another when costs rise. A more serious problem, until recently, was the weight that CPI gave to homeownership costs. This overstated the true increase in prices for those who were already home-owners, or, as is typically the case for the poor, who lived in rental housing. This shortcoming was corrected in a 1983 modification to the CPI, which based housing costs on the amount that would have to be paid if housing were rented from some one else. However, the official CPI overstated the price increases for many years, and the poverty thresholds for those years remain higher than they otherwise would have been, as do thresholds for subsequent years which use preceding years as their base.

(22) U.S. Bureau of the Census, Statistical Abstract of the United States: 1986, (106th edition) Tables No.65 and 67.
(23) U.S. Bureau of the Census, Technical Paper 56, Estimates of Poverty Including the Value of Noncash Benefits: 1985, U.S. Government Printing Office, Washington, DC, 1986, Table 2.
(24) The market-value method for valuation of non-cash benefits is the best for reflecting the actual cost to the government for the assistance provided. However, counting the full market-value of medical assistance, Medicare and Medicaid, has a very large effect upon the poverty rate of the elderly. For example, by this method of valuing non-cash benefits, elderly unrelated males covered by Medicaid are estimated to have received 10.1 percent of their income from Medicaid, as a group, and another 17.9 percent of their income from Medicare. Elderly unrelated females covered by Medicaid are estimated to have received 13 percent of their income from Medicaid and another 17.8 percent from Medicare. On the other hand, while the value of Medicaid and Medicare is adjusted for medical risk, no such adjustment is made in the poverty thresholds. To obtain a sense of the extent to which the market value estimates of Medicare and Medicaid may represent a disproportionate share of income for these elderly groups, it would be desirable to compare these income estimates with the amounts these population groups would spend on medical services in the absence of the government programs. However, since most medical expenses for these groups are borne by Medicare and Medicaid, the comparison is impractical. Keeping in mind that the Consumer Expenditure Survey does not include the value of government expenditures from Medicare and Medicaid, monthly averages from Consumer Expenditure Survey interviews from 1980-3 show that low income families headed by persons 65 years of age or older made about 12.1 percent of their expenditures for unreimbursed health needs, such as health insurance, medical services and prescriptions drugs. Elderly males living alone made about 10.9 percent of their expenditures for health needs, while for elderly females living alone the figure was 12.3 percent.
(25) As noted above, even SIPP did not capture all the income of the sample families. Had all the income been captured, the poverty gap for this period would have been smaller. However, no sound estimate has been made of the effect of the excluded income upon the poverty gap.
(26) Considering mean monthly poverty gaps (comparing monthly income to 1/12 the annual poverty thresholds) and program benefits, the target efficiency of means-tested benefits overall remains at about 55 percent.
(27) An exception occurs when, as with the Emergency Food and Shelter Program, an appropriations committee appropriates funds without action by an authorizing committee.
(28) During the period from 1967 through 1981 when the AFDC earned income disregard of the first $30 plus one-third of the remainder was permanent and could be taken before other deduction for child care and work expenses, the earnings level at which a family could receive AFDC was quite high in some states. Since 1981, the higher break-even points for earnings were lowered by

calculating the one-third disregard after the other deductions and limiting it to four months.

(29) U.S. Bureau of the Census, Statistical Abstract of the United States: 1986, (106th edition), Tables No.766,767,770.

(30) This is not much lower than the 5.7 percent of average monthly FY 1983 AFDC caseload with earnings, although the frequency with which families may leave AFDC due to earnings is higher than for SSI.

(31) Other exclusions and deductions not fitting the categories of work expenses or income unavailable to meet basic needs, and not required by other federal statutes, include exclusions of child support payments. The SSI and JTPA training programs exclude all or some such payments that are court ordered. The AFDC program excludes the first $50 per month of such support. The Food Stamp Program excludes support only if it must be transferred to the state agency administering the Child Support Enforcement Program, in accordance with provisions of the AFDC program, a form of exclusion because the money is not available to meet basic needs.

(32) The rule is not absolute, though the exceptions are not numerous or very significant in terms of numbers of recipients or dollars involved. By law, AFDC is permitted to count the value of Food Stamps and housing subsidies, but no states count Food Stamps, and only a few count housing subsidies. A few non-cash food programs prohibit participation in other specific non-cash food programs, such as the Special Milk Program not being available where the National School Lunch Program is available, and prohibition against participation in both the WIC and Commodity Supplemental Food Program at the same time. The Community and Migrant Health Center programs fund operations of the centers by making up the difference between costs and reimbursements from other sources, including Medicaid. And, indirectly, the excess shelter deduction in the Food Stamp Program takes into account the effects of housing subsidies, which keep total shelter costs below the level which would qualify for the excess shelter deduction and the additional food coupons.

(33) Respectively, 17 U.S.C 2017 (b), 42 U.S.C. 1780 (b), 42 U.S.C. 1761 (h)(3), 42 U.S.C. 8612 (c)(1) and 42 U.S.C. 602.

(34) See U.S. Bureau of the Census, Current Population Reports, Series P-70, No.1, Economic Characteristics of Households in the United States: Third Quarter 1983, U.S. Government Printing Office, Washington, D.C., 1984, Table G.

(35) U.S. Department of Health and Human Services, "Low Income Home Energy Assistance Program: Report to Congress for Fiscal Year 1982," Washington,D.C., 1983, p.22.

(36) The example does not reduce the $1 to reflect deduction of the FICA contribution because the earnings disregards for work expenses are intended to offset FICA. Although federal, and possibly state, income tax may be withheld, and those dollars are not available for the family as they are earned, this example does not exclude them. In addition, as it begins to earn the family will become eligible for the Earned Income Tax Credit. Under the new tax code, this refundable credit may have a value

as high as $848 and may be used to reduce federal income tax withholding, or may be received after the end of the tax year as a refund. For this example, it is assumed that the one-time refund method is used. Depending upon the total annual adjusted gross income of the recipient, the $1 in earnings may entitle her to up to .$14 in direct EITC payment.

(37) Although this example is limited to a basic benefit package, if the family were receiving a Section 8 housing subsidy, the $1 could reduce that subsidy as well. After all deductions for child care, and a standard deduction for children and elderly or handicapped family members, the $1 might still increase countable income, leading to a $.30 reduction in the housing subsidy. However, if the dollar also had reduced AFDC by $.67, the Section 8 subsidy would thereby be increased by 30 percent of the $.67 of lost AFDC income, or $.20, for a net loss of $.10 in housing subsidy. Combining just the proportionate reductions by the three major programs, AFDC, 67 percent, Food Stamps, 30 percent of 80 percent and Section 8 rental assistance,30 percent, the $1 in earnings would have a net effect of increasing the family's total income by $.19. However, since, unlike the other programs in the example, the housing subsidy usually is calculated for a year based upon expected income at the beginning of the year, if the $1 in earnings happened to actually figure in that setting of the subsidy for the year, its effects would be felt throughout the year.

(38) The graphs were developed using assumptions about wages and expenses, along with current program rules and 1984 program benefit levels. More recent benefit levels for all programs were not available, but the shape of the graphs would not change much in any case. Net private income includes wages minus FICA, work expenses ($75) and child care expenses ($160). Benefit levels for EITC, AFDC, Food Stamps, and Section 8 Housing Assistance were calculated based on these income assumptions. Benefit levels for WIC, school meals, and Medicaid were based on program data showing averages for a state or substate region. The Medicaid values represent insurance values excluding institutional expenditures. In these graphs, EITC is shown as a single payment in January. The law also allows that those eligible for EITC may reduce their withholding amounts and receive the benefit during the course of the year, rather than in a single payment.

The graphs assume that the wages and raises are entirely in cash. If she receives some of it in employer-paid benefits, the graphs would look a little different, but with the same basic shape. The graphs assume modest increases in earnings after several months, a likely course for a person working steadily and diligently for several months. On the other hand, it should be noted that without the assumption of modest increases in earnings, the combined loss of one-third deduction and Medicaid would leave recipients with total income below the level at which they started.

(39) Under some circumstances, families or certain members may be eligible for Medicaid independent of AFDC or SSI recipiency. In

these examples, the only basis for Medicaid eligibility for these families is assumed to be related to AFDC recipiency.
(40) In the long run, the financial benefits of employment will exceed those of public assistance. Moreover, self-support through employment has desirable non-financial consequences. What is known from research about the effects of welfare upon work effort is discussed in another volume in this report.

APPENDIX
PUBLIC ASSISTANCE SPENDING: 1960-1985

The following tables present spending levels for each of the 59 major means-tested programs discussed in this volume and the report Up From Dependency: A New National Public Assistance Strategy. The data were developed from tables provided by the executive agencies which administer the programs. Those tables were reviewed, and in some cases corrected, by the Office of Management and Budget. However, it was not always possible for the agencies to provide, or OMB to confirm, outlays for each program for each year.

The intent was to identify outlays for each program over the period from federal fiscal years 1960 through 1985. Several issues had to be faced. Many of the current programs were not established by 1960. For some of these, the attached tables simply begin with the first year of program operation. However, other programs represent successors to earlier programs. Where possible, we have included spending for direct predecessor programs. In some cases, spending by a single predecessor program could have been assigned to one of two or more current programs. Vendor payments for medical services to recipients of SSI predecessor programs is an example. In that case, the spending was assigned to the predecessors of Medicaid. In this and several other cases, funds could reasonably have been assigned to different current programs.

Outlays were not always available. An outlay is the transfer of funds from the United States Treasury. Where it is known that some other measure of spending is represented, that is indicated directly below the program identifier at the top of the column. Generally speaking, data for school meals, Community and Migrant Health Centers, the Maternal and Child Health Block Grant, Family Planning, Head Start, and the Social Services Block Grant totaling about $8.6 billion in FY 1985 represent obligations, rather than outlays. Obligations are commitments to make payments. Usually, regular reports from states and other grantees about funds spent show obligations. Education programs totaling $4.1 billion show budget authority, the amount of funds authorized for obligations in a year, or available aid where outlays were not available. Spending for nutrition programs include the value of commodities provided, but not bonus commodities, in the school meals and Special Milk programs.

Generally, spending does not include federal administrative costs, but does include the administrative costs of grantees. Federal administrative costs of the SSI program, which is delivered through Social Security offices throughout the country, represent significant spending not included, while comparable costs of local administration are included for other programs.

The attached tables identify programs by name or acronym and by their number from the Catalog of Federal Domestic Assistance. Required state spending is included separately. Usually, state spending is reported to federal agencies as obligations for which federal matching funds are claimed. In some cases, such as the Social Services Block Grant, state spending is significant, but not required for federal matching funds. Volume 2 of Supplement 1 contains information about such state spending on low income assistance.

FEDERAL AND REQUIRED STATE SPENDING

FY	FEDERAL CASH	STATE CASH	FEDERAL IN-KIND	STATE IN-KIND	TOTAL
60	$3,103,348	$1,237,937	$1,287,347	$190,113	$5,818,745
61	$3,476,065	$1,268,060	$1,497,341	$222,748	$6,464,214
62	$3,750,816	$1,301,858	$1,829,071	$334,756	$7,216,503
63	$4,004,967	$1,355,815	$2,149,050	$450,286	$7,960,119
64	$4,154,030	$1,457,914	$2,421,010	$531,106	$8,564,060
65	$4,381,284	$1,627,283	$2,986,751	$648,828	$9,644,145
66	$4,485,258	$1,407,932	$5,195,480	$1,037,062	$12,125,731
67	$4,693,739	$1,703,563	$5,740,941	$1,380,319	$13,518,563
68	$5,144,362	$2,015,553	$7,100,410	$1,957,055	$16,217,380
69	$5,773,429	$2,434,468	$7,977,584	$2,466,821	$18,652,303
70	$6,597,030	$3,066,458	$10,102,066	$2,699,190	$22,464,744
71	$8,008,039	$3,912,737	$13,389,042	$3,409,068	$28,718,885
72	$8,968,932	$4,524,385	$16,859,847	$4,451,047	$34,804,211
73	$9,384,958	$4,835,124	$18,787,943	$4,374,699	$37,382,724
74	$9,805,808	$4,561,955	$21,406,695	$4,910,037	$40,684,496
75	$12,323,276	$5,996,961	$29,640,114	$6,327,570	$54,287,920
76	$14,977,849	$6,951,048	$34,672,966	$7,840,388	$64,442,251
77	$15,983,947	$7,514,045	$36,845,377	$9,084,755	$69,428,124
78	$15,745,765	$8,863,942	$40,853,847	$9,857,779	$73,321,332
79	$16,172,496	$7,191,672	$47,504,136	$11,753,908	$82,622,212
80	$17,761,258	$7,851,763	$56,195,738	$12,819,428	$94,628,185
81	$19,945,050	$8,461,768	$63,731,755	$15,194,312	$107,332,885
82	$20,486,745	$8,271,797	$63,416,137	$15,531,836	$107,706,516
83	$20,759,605	$8,365,805	$70,649,997	$17,115,400	$116,890,806
84	$21,549,219	$9,019,079	$73,377,849	$17,645,689	$121,591,836
85	$22,760,604	$9,573,932	$79,729,254	$20,113,354	$132,177,145

FEDERAL AND REQUIRED STATE SPENDING: BY FUNCTION

FY	CASH	FOOD	HOUSING	HEALTH	SERVICES	EMPLOYMENT	EDUCATION
60	$4,341,285	$378,987	$139,925	$958,548	$0	$0	$0
61	$4,744,125	$482,497	$154,986	$1,082,606	$0	$0	$0
62	$5,052,675	$639,037	$162,434	$1,362,357	$0	$0	$0
63	$5,360,783	$635,411	$174,318	$1,545,858	$243,750	$0	$0
64	$5,611,944	$677,403	$144,764	$1,743,999	$306,250	$79,700	$0
65	$6,008,566	$779,615	$224,854	$1,985,260	$492,250	$124,000	$29,600
66	$5,893,189	$631,079	$231,828	$2,807,923	$717,175	$569,808	$1,274,729
67	$6,397,302	$664,990	$260,586	$3,577,492	$815,500	$607,640	$1,195,053
68	$7,159,915	$872,564	$289,360	$4,827,728	$870,750	$864,575	$1,332,488
69	$8,207,897	$1,082,471	$348,551	$6,014,735	$900,875	$790,435	$1,307,339
70	$9,663,488	$1,578,883	$481,910	$6,880,504	$1,110,125	$1,193,668	$1,556,166
71	$11,920,776	$2,904,365	$742,450	$8,477,876	$1,442,000	$1,433,551	$1,797,867
72	$13,493,317	$3,474,786	$1,130,728	$10,678,072	$2,603,690	$1,534,203	$1,889,415
73	$14,220,082	$3,886,025	$1,615,314	$10,721,412	$3,388,998	$1,472,255	$2,078,638
74	$14,367,763	$4,693,155	$1,789,085	$12,826,987	$2,994,198	$1,667,841	$2,345,466
75	$18,320,237	$6,994,409	$2,085,510	$15,442,805	$3,711,621	$3,040,039	$4,693,300
76	$21,928,898	$8,507,400	$2,725,464	$18,609,511	$4,777,477	$3,949,601	$3,943,900
77	$23,497,992	$8,772,830	$3,052,086	$21,482,839	$5,192,484	$3,095,293	$4,334,600
78	$22,609,706	$9,229,189	$3,807,754	$23,470,554	$5,472,744	$3,921,485	$4,809,900
79	$23,364,167	$11,189,108	$4,461,404	$27,200,135	$5,808,978	$4,350,074	$6,250,345
80	$25,613,019	$14,321,952	$6,755,602	$30,410,422	$5,912,105	$5,347,128	$6,267,957
81	$28,406,818	$16,931,127	$8,647,774	$35,742,645	$5,941,287	$5,615,320	$6,047,914
82	$28,758,542	$16,495,675	$9,809,584	$37,756,733	$4,252,386	$4,365,039	$6,268,555
83	$29,125,409	$19,495,736	$11,655,027	$41,211,723	$4,528,088	$4,418,815	$6,456,008
84	$30,568,298	$20,022,135	$12,399,302	$43,265,834	$4,707,688	$3,617,626	$7,010,953
85	$32,334,537	$20,407,411	$13,705,673	$48,631,849	$4,890,410	$3,953,239	$8,254,026

FEDERAL AND REQUIRED STATE SPENDING: CASH PROGRAMS

FY	FOSTER CARE 13.658 FED (Includes admin and training.)	FOSTER CARE 13.658 STATE	ADOPTION 13.659 FED	ADOPTION 13.659 STATE	SSI 13.807 FED	SSI 13.807 STATE	AFDC 13.808 FED	AFDC 13.808 STATE	EMERGENCY ASSISTANCE 13.808 FED
60					$1,130,160	$774,137	$666,700	$463,800	
61					$1,180,004	$745,010	$717,050	$523,050	
62					$1,191,395	$659,208	$845,850	$642,650	
63					$1,294,236	$669,665	$914,250	$686,150	
64					$1,332,630	$683,264	$993,450	$774,650	
65					$1,342,658	$711,433	$1,092,750	$915,850	
66					$1,235,944	$527,082	$1,175,450	$880,850	
67					$1,384,048	$708,212	$1,232,149	$995,351	
68					$1,481,679	$781,430	$1,487,221	$1,234,124	
69					$1,518,758	$812,650	$1,934,863	$1,618,468	$3,350
70					$1,715,636	$1,025,649	$2,431,837	$2,035,111	$5,698
71	$40,000	$30,000			$1,890,117	$1,127,617	$3,489,267	$2,745,198	$9,922
72	$85,000	$75,000			$1,984,271	$1,197,866	$4,076,422	$3,229,429	$22,090
73	$71,000	$58,000			$2,067,416	$1,263,065	$4,384,037	$3,494,427	$19,633
74	$90,000	$76,000			$2,427,086	$921,560	$4,441,601	$3,532,380	$32,016
75	$138,000	$119,000			$4,083,717	$1,500,554	$5,115,798	$4,338,649	$38,758
76	$171,000	$155,000			$4,441,317	$1,561,149	$6,338,247	$5,207,063	$27,837
77	$183,000	$168,000			$4,654,357	$1,585,348	$6,773,101	$5,727,631	$33,066
78	$209,000	$194,000			$4,841,970	$1,661,854	$6,229,518	$4,967,628	$40,460
79	$218,000	$186,000			$5,160,346	$1,685,989	$6,173,719	$5,277,661	$42,022
80	$223,000	$193,000			$5,657,907	$2,054,110	$6,447,018	$5,548,034	$56,619
81	$308,776	$277,186	$486	$449	$6,398,955	$2,096,721	$7,230,557	$6,025,679	$61,734
82	$373,849	$339,392	$4,734	$4,335	$6,832,380	$2,113,270	$6,991,854	$5,763,628	$51,172
83	$394,787	$364,768	$12,561	$11,524	$7,225,263	$1,984,411	$7,285,779	$5,942,479	$62,623
84	$434,083	$400,286	$25,634	$23,825	$7,517,384	$2,050,505	$7,682,518	$6,473,894	$70,569
85	$484,261	$444,852	$36,885	$33,933	$8,652,220	$2,237,049	$7,976,727	$6,780,865	$77,233

FEDERAL AND REQUIRED STATE SPENDING: CASH PROGRAMS

FY	EMERGENCY ASSISTANCE 13.808 STATE	REFUGEE RESETTLEMENT 13.814 FED	INDIAN GEN'L ASSIST. 15.113 FED	EARNED INCOME TAX CREDIT FED	PENSION FOR NEEDY VETS 64.104 FED	PARENTS' COMPENSATION 64.105 FED
		(61-63 are		(Refundable		
60		obligations.)	$3,408	credits)	$1,263,080	$40,000
61		$3,869	$3,694		$1,531,448	$40,000
62		$37,764	$4,455		$1,632,353	$39,000
63		$55,068	$4,602		$1,697,812	$39,000
64		$41,578	$5,446		$1,739,926	$41,000
65		$31,383	$6,031		$1,863,461	$45,000
66		$28,209	$6,214		$1,989,440	$50,000
67		$39,479	$6,540		$1,975,523	$56,000
68		$53,019	$8,578		$2,051,865	$62,000
69	$3,350	$66,145	$9,179		$2,167,135	$74,000
70	$5,698	$81,578	$15,733		$2,264,548	$82,000
71	$9,922	$107,530	$31,205		$2,349,999	$90,000
72	$22,090	$126,720	$37,220		$2,542,209	$95,000
73	$19,633	$133,377	$40,000		$2,574,495	$95,000
74	$32,016	$106,179	$45,389		$2,568,537	$95,000
75	$38,758	$86,556	$37,467		$2,725,980	$97,000
76	$27,837	$171,825	$40,807	$808,400	$2,880,416	$98,000
77	$33,066	$170,566	$43,378	$900,900	$3,126,579	$99,000
78	$40,460	$140,895	$45,665	$880,900	$3,258,357	$99,000
79	$42,022	$138,561	$46,423	$772,700	$3,521,725	$99,000
80	$56,619	$364,507	$49,637	$1,275,200	$3,585,368	$102,000
81	$61,734	$720,549	$52,887	$1,318,000	$3,753,107	$100,000
82	$51,172	$1,004,997	$54,863	$1,201,500	$3,879,396	$92,000
83	$62,623	$517,777	$62,615	$1,213,300	$3,893,900	$91,000
84	$70,569	$595,720	$66,191	$1,192,900	$3,874,220	$90,000
85	$77,233	$436,006	$66,631	$1,099,776	$3,841,865	$89,000

FEDERAL AND REQUIRED STATE SPENDING: FOOD PROGRAMS

FY	DONATIONS 10.550 FED	FOOD STAMPS 10.551 FED	FOOD STAMPS 10.551 STATE	SCHOOL BREAKFAST 10.553 FED (Obligations)	SCHOOL LUNCH 10.555 FED (Obligations)	SPECIAL MILK 10.556 FED	WIC 10.557 FED	CHILD CARE 10.558 FED
60	$15,748				$225,839	$78,000		
61	$33,989	$658			$226,450	$81,400		
62	$25,874	$14,292			$280,861	$91,700		
63	$29,052	$20,000			$288,447	$93,700		
64	$37,467	$30,015			$315,740	$97,100		
65	$29,818	$34,395			$402,843	$86,500		
66	$16,969	$69,491			$315,946	$97,000		
67	$15,156	$114,095		$566	$338,043	$96,100		
68	$23,247	$184,727		$1,985	$435,731	$103,700		
69	$25,417	$247,766		$5,402	$475,000	$101,925		$2,849
70	$20,600	$576,810		$10,786	$560,000	$102,899		$14,935
71	$24,531	$1,567,767		$19,383	$809,000	$90,916		$64,761
72	$25,826	$1,909,166		$24,883	$1,051,000	$93,552		$32,957
73	$27,443	$2,207,532		$32,807	$1,213,000	$90,858		$34,074
74	$24,826	$2,844,815		$59,120	$1,401,000	$50,236	$9,950	$79,510
75	$20,321	$4,598,956	$190,000	$86,199	$1,715,000	$122,858	$82,785	$88,984
76	$11,907	$5,631,954	$176,000	$106,950	$1,910,000	$135,703	$184,029	$159,943
77	$17,647	$5,398,795	$272,000	$139,418	$2,110,000	$157,034	$230,900	$295,438
78	$27,918	$5,498,775	$288,000	$177,682	$2,351,000	$138,596	$352,614	$253,446
79	$54,214	$6,821,746	$335,000	$224,247	$2,729,000	$134,086	$524,390	$221,697
80	$71,211	$9,117,136	$380,000	$287,800	$3,184,000	$159,293	$694,212	$258,090
81	$78,324	$11,252,902	$476,979	$320,337	$3,276,000	$104,384	$906,198	$357,745
82	$111,134	$10,137,340	$528,069	$335,600	$2,951,000	$22,884	$907,220	$293,758
83	$150,443	$11,839,239	$579,159	$344,247	$3,214,000	$14,912	$1,126,089	$350,257
84	$206,254	$11,561,023	$765,252	$363,200	$3,328,000	$16,000	$1,367,293	$390,110
85	$171,775	$11,701,174	$831,475	$390,790	$3,391,000	$15,993	$1,494,735	$417,537

FEDERAL AND REQUIRED STATE SPENDING: FOOD PROGRAMS

FY	SUMMER 10.559 FED	COMMODITY SUPPLEMENTAL 10.565 FED	NUTRITION FOR PUERTO RICO 10.566 FED	NEEDY FAMILIES 10.567 FED	TEFAP 10.568 FED
60				$59,400	
61				$140,000	
62				$226,310	
63				$204,212	
64				$197,081	
65				$226,059	
66				$131,673	
67				$101,030	
68				$123,174	
69	$390			$223,722	
70	$1,753			$291,100	
71	$8,176			$319,831	
72	$22,845			$314,557	
73	$25,611			$254,700	
74	$33,551			$190,147	
75	$50,268			$39,038	
76	$161,294	$21,844		$7,776	
77	$109,400	$14,446		$27,752	
78	$95,300	$17,955		$29,903	
79	$115,212	$17,768		$11,748	
80	$114,566	$22,520		$33,124	
81	$94,926	$23,921		$39,411	
82	$90,800	$22,537	$876,800	$39,073	$179,460
83	$91,560	$23,742	$814,163	$47,257	$900,668
84	$104,130	$30,484	$814,226	$48,950	$1,027,213
85	$110,463	$43,162	$824,564	$41,706	$973,037

FEDERAL AND REQUIRED STATE SPENDING: HOUSING PROGRAMS

FY	FMHA RENTAL ASST. 10.427 FED	LIHEAP 13.818 FED	SECTION 236 14.103 FED	SECTION 235 14.105 FED	SECTION 8 14.156 FED	PUBLIC HOUSING 14.850 FED	HOUSING IMPROVEMENT 15.141 FED	LOW-INCOME WEATHERIZATION 81.042 FED	EMERGENCY FOOD & SHELTER FEMA FED
60						$139,925			
61						$154,986			
62						$162,434			
63						$174,318			
64						$144,764			
65						$224,854			
66						$231,828			
67						$260,586			
68					$1,039	$285,221	$3,100		
69				$812	$4,804	$339,264	$3,671		
70			$679	$21,127	$18,728	$433,602	$7,774		
71			$13,242	$119,734	$42,294	$558,363	$8,817		
72			$79,784	$221,306	$74,513	$744,133	$10,992		
73			$170,304	$282,307	$106,545	$1,043,214	$12,944		
74			$273,666	$249,473	$137,383	$1,115,657	$12,906		
75			$391,949	$193,996	$174,745	$1,311,617	$13,203		
76			$642,641	$201,933	$338,640	$1,527,891	$14,359		
77		$110,000	$585,001	$128,155	$618,370	$1,596,159	$14,401		
78	$2,404	$193,000	$616,924	$106,842	$1,099,817	$1,768,414	$20,353		
79	$14,115	$185,000	$638,107	$99,179	$1,636,558	$1,818,507	$24,438	$45,500	
80	$31,283	$1,179,600	$656,053	$114,600	$2,375,417	$2,184,769	$19,380	$194,500	
81	$57,525	$1,653,400	$665,450	$196,021	$3,392,838	$2,400,949	$22,693	$258,900	
82	$82,830	$1,684,700	$669,590	$258,362	$4,365,004	$2,573,788	$22,810	$152,500	
83	$103,101	$1,990,900	$637,549	$281,948	$5,182,043	$3,206,313	$23,298	$150,500	$79,375
84	$112,709	$2,023,700	$657,503	$270,067	$6,139,783	$2,900,116	$22,068	$215,400	$57,956
85	$104,645	$2,139,300	$619,082	$267,592	$6,883,714	$3,407,734	$22,736	$191,500	$69,370

FEDERAL AND REQUIRED STATE SPENDING: HEALTH PROGRAMS

FY	COMMUNITY HEALTH CNTRS 13.224 FED (Obligations)	INDIAN HEALTH SERVICE 13.228 FED	MIGRANT HEALTH CNTRS 13.246 FED (Obligations)	MEDICAID 13.714 FED	MEDICAID 13.714 STATE	MATERNAL & CHILD HEALTH 13.994 FED	MATERNAL & CHILD HEALTH 13.994 STATE	VETERANS' HEALTH 64.009 FED
60		$54,700		$180,440	$173,363	$33,500	$16,750	$499,795
61		$57,800		$219,496	$203,664	$38,167	$19,084	$544,395
62		$61,700		$345,605	$309,756	$50,000	$25,000	$570,295
63		$62,500	$750	$422,964	$376,536	$50,000	$25,000	$608,107
64		$65,700	$1,500	$495,470	$439,856	$66,500	$30,000	$644,973
65		$71,400	$2,500	$582,442	$515,978	$88,000	$35,000	$689,940
66		$74,800	$3,000	$954,556	$853,587	$139,000	$45,000	$737,980
67		$83,300	$7,200	$1,275,985	$1,173,019	$173,900	$50,000	$814,087
68		$84,300	$7,200	$1,879,741	$1,740,505	$179,900	$50,000	$886,082
69		$107,400	$7,000	$2,419,016	$2,242,346	$209,200	$53,500	$976,272
70		$119,700	$14,000	$2,905,013	$2,433,765	$221,510	$54,000	$1,132,516
71		$143,000	$14,000	$3,666,983	$3,075,143	$218,285	$58,925	$1,301,541
72	$135,000	$169,600	$17,950	$4,601,000	$3,896,301	$234,636	$60,671	$1,562,914
73	$110,200	$197,600	$23,750	$4,600,000	$3,811,685	$258,868	$62,839	$1,656,470
74	$217,100	$216,100	$23,750	$5,818,000	$4,326,223	$267,868	$62,839	$1,895,107
75	$196,600	$282,800	$23,750	$6,840,000	$5,408,102	$303,340	$108,493	$2,279,720
76	$196,600	$332,500	$25,000	$8,568,000	$6,556,150	$319,408	$120,031	$2,491,822
77	$215,100	$395,300	$33,480	$9,876,000	$7,598,485	$345,708	$130,357	$2,888,409
78	$255,000	$467,200	$34,500	$10,680,000	$8,307,736	$361,854	$135,782	$3,228,482
79	$253,000	$555,400	$34,500	$12,407,000	$10,049,332	$377,677	$140,650	$3,382,576
80	$320,000	$636,600	$39,700	$13,957,000	$11,068,979	$376,343	$140,650	$3,871,150
81	$323,700	$679,500	$43,223	$16,833,000	$13,251,156	$387,400	$147,000	$4,077,666
82	$281,000	$653,900	$38,208	$17,391,000	$14,407,086	$373,750	$237,150	$4,374,639
83	$360,000	$692,000	$38,104	$18,985,000	$15,865,952	$478,000	$316,538	$4,476,129
84	$351,000	$789,900	$42,000	$20,061,000	$16,229,463	$399,000	$254,363	$5,139,108
85	$383,000	$812,900	$44,300	$22,655,000	$18,560,561	$478,000	$304,725	$5,393,363

FEDERAL AND REQUIRED STATE SPENDING: SERVICES PROGRAMS

FY	FAMILY PLANNING 13.217 FED (Obligations)	HEAD START 13.600 FED (Obligations)	HEAD START 13.600 STATE	COMMUNITY SERVICES BG 13.665 FED	SOCIAL SERVICES BG 13.667 FED (Obligations)	SOCIAL SERVICES BG 13.667 STATE
60						
61						
62						
63					$195,000	$48,750
64					$245,000	$61,250
65		$96,400	$24,100		$295,000	$73,750
66		$198,900	$49,725		$355,000	$88,750
67		$349,200	$87,300		$280,000	$70,000
68		$316,200	$79,050		$350,000	$87,500
69		$333,900	$83,475		$350,000	$87,500
70		$325,700	$81,425		$520,000	$130,000
71	$6,000	$360,000	$90,000		$740,000	$185,000
72	$61,815	$376,300	$94,075		$1,600,000	$400,000
73	$100,615	$400,700	$100,175	$716,008	$1,600,000	$400,000
74	$100,615	$403,900	$100,975	$317,208	$1,600,000	$400,000
75	$100,615	$403,900	$100,975	$534,631	$2,000,000	$500,000
76	$100,615	$441,000	$110,250	$700,312	$2,500,000	$833,000
77	$113,615	$475,000	$118,750	$760,119	$2,700,000	$900,000
78	$135,000	$625,000	$156,250	$751,494	$2,700,000	$900,000
79	$135,000	$680,000	$170,000	$684,978	$2,900,000	$967,000
80	$162,000	$735,000	$183,750	$931,355	$2,700,000	$900,000
81	$161,671	$818,700	$204,675	$567,941	$2,900,000	$967,000
82	$124,176	$911,700	$227,925	$347,585	$2,400,000	
83	$124,088	$912,000	$228,000	$348,000	$2,675,000	
84	$140,000	$995,750	$248,938	$348,000	$2,700,000	
85	$142,500	$1,075,059	$268,765	$366,088	$2,725,000	

FEDERAL AND REQUIRED STATE SPENDING: EMPLOYMENT AND TRAINING PROGRAMS

FY	WIN 13.646 FED	WIN 13.646 STATE	SCSE 17.235 FED	SCSE 17.235 STATE	MIGRANT 17.247 FED (Budget Authority)	JTPA II-A 17.250 FED	SUMMER YOUTH 17.250 FED	JOB CORPS 17.250 FED	NATIVE AMERICAN TRAINING 17.251 FED
60									
61									
62									
63									
64						$79,700			
65						$87,000		$37,000	
66						$335,700		$229,000	
67						$280,800		$321,000	
68						$556,000		$299,000	
69	$32,563					$512,900		$236,000	
70	$86,618					$953,800		$144,000	
71	$128,951					$1,107,100		$187,000	
72	$171,103					$1,156,100		$182,000	
73	$281,055					$978,200		$188,000	
74	$339,862					$1,136,600		$164,100	
75	$313,837		$8,607			$2,504,200		$170,400	$13,400
76	$307,313		$46,469	$956	$83,500	$2,755,582	$474,994	$225,300	$60,700
77	$360,537		$72,102	$5,163	$60,922	$1,756,213	$574,994	$201,584	$51,611
78	$346,099		$134,333	$8,011	$66,463	$2,378,420	$670,265	$279,652	$58,621
79	$385,042		$207,832	$14,926	$106,403	$2,546,497	$659,520	$379,610	$81,740
80	$395,262	$43,918	$234,862	$23,092	$110,278	$3,236,269	$720,961	$469,844	$80,649
81	$381,067	$42,340	$262,750	$26,096	$83,948	$3,394,934	$769,035	$539,806	$79,942
82	$234,541	$26,060	$268,964	$29,194	$70,518	$2,373,517	$679,186	$570,155	$54,427
83	$289,328	$32,147	$274,215	$29,885	$69,130	$2,290,555	$750,434	$563,336	$60,931
84	$264,639	$37,687	$321,348	$30,468	$59,557	$1,544,506	$688,360	$580,601	$72,159
85	$278,816	$31,532	$320,343	$35,705	$63,058	$1,710,104	$776,334	$593,041	$64,524

FEDERAL AND REQUIRED STATE SPENDING: EMPLOYMENT AND TRAINING PROGRAMS

FY	FOSTER GRANDPARENTS 72.001 FED	SENIOR COMPANIONS 72.008 FED	SENIOR COMPANIONS 72.008 STATE
60			
61			
62			
63			
64			
65			
66	$5,108		
67	$5,840		
68	$9,575		
69	$8,972		
70	$9,250		
71	$10,500		
72	$25,000		
73	$25,000		
74	$25,000	$2,279	
75	$28,000	$1,595	
76	$28,347	$4,302	
77	$34,000	$3,800	
78	$34,912	$6,940	
79	$35,027	$6,976	
80	$46,900	$10,084	$2,039
81	$48,400	$12,824	$2,066
82	$49,670	$12,170	$2,851
83	$48,400	$11,986	$3,719
84	$48,400	$13,516	$3,518
85	$56,100	$18,086	$4,591

FEDERAL AND REQUIRED STATE SPENDING: EDUCATION PROGRAMS

FY	SEOG 84.007 FED (Available Aid)	GRANTS TO LEAs 84.010 FED (Budget Authority)	COLLEGE WORK - STUDY 84.033 FED (Available Aid)	SERVICES FOR DISADVANTAGED 84.042 FED (Budget Authority)	TALENT SEARCH 84.044 FED (Budget Authority)	UPWARD BOUND 84.047 FED (Budget Authority)	PELL GRANTS 84.063 FED
60							
61							
62							
63							
64							
65			$26,400			$3,200	
66		$1,164,529	$83,200		$2,000	$25,000	
67	$47,000	$1,015,153	$102,400		$2,500	$28,000	
68	$83,000	$1,100,288	$115,200		$4,000	$30,000	
69	$113,000	$1,020,439	$139,200		$4,000	$30,700	
70	$134,000	$1,219,166	$160,000	$10,000	$5,000	$28,000	
71	$153,000	$1,339,667	$255,200	$15,000	$5,000	$30,000	
72	$174,000	$1,406,615	$255,200	$15,000	$5,000	$33,600	
73	$189,000	$1,535,538	$236,800	$23,000	$6,000	$38,300	$50,000
74	$200,000	$1,446,166	$236,000	$23,000	$6,000	$38,300	$356,000
75	$201,000	$3,212,000	$236,000	$23,000	$6,000	$38,300	$937,000
76	$244,000	$1,721,000	$348,800	$23,000	$6,000	$38,100	$1,475,000
77	$244,000	$1,927,000	$375,200	$30,000	$8,900	$41,500	$1,588,000
78	$266,000	$2,356,000	$391,200	$45,200	$12,500	$50,000	$1,561,000
79	$333,000	$2,777,245	$476,000	$55,000	$15,300	$58,800	$2,381,000
80	$352,000	$2,731,357	$472,800	$60,000	$15,300	$62,500	$2,420,000
81	$352,000	$2,611,614	$472,800	$63,900	$17,100	$66,500	$2,310,000
82	$338,000	$2,763,875	$459,200	$60,702	$17,058	$63,720	$2,419,000
83	$341,000	$2,819,028	$536,000	$60,556	$17,058	$68,366	$2,494,000
84	$360,000	$2,763,875	$518,400	$67,295	$17,629	$70,754	$3,061,000
85	$396,000	$3,200,000	$553,600	$70,084	$20,728	$73,614	$3,788,000

FEDERAL AND REQUIRED STATE SPENDING: EDUCATION PROGRAMS

FY	STATE STUDENT INCENTIVE GRANTS 84.069 FED	STATE STUDENT INCENTIVE GRANTS 84.069 STATE
60		
61		
62		
63		
64		
65		
66		
67		
68		
69		
70		
71		
72		
73		
74	$20,000	$20,000
75	$20,000	$20,000
76	$44,000	$44,000
77	$60,000	$60,000
78	$64,000	$64,000
79	$77,000	$77,000
80	$77,000	$77,000
81	$77,000	$77,000
82	$73,500	$73,500
83	$60,000	$60,000
84	$76,000	$76,000
85	$76,000	$76,000

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